

# THE DEPARTMENT OF STATE



# Bulletin

Vol. XXXVIII, No. 976

March 10, 1958

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OFFICIAL  
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THE DEPARTMENT OF STATE

# Bulletin

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The Department of State BULLETIN, a weekly publication issued by the Public Services Division, provides the public and interested agencies of the Government with information on developments in the field of foreign relations and on the work of the Department of State and the Foreign Service. The BULLETIN includes selected press releases on foreign policy, issued by the White House and the Department, and statements and addresses made by the President and by the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information is included concerning treaties and international agreements to which the United States is or may become a party and treaties of general international interest.

Publications of the Department, United Nations documents, and legislative material in the field of international relations are listed currently.

## President Recommends Vigorous Continuation of Mutual Security Program

### MESSAGE OF THE PRESIDENT TO THE CONGRESS<sup>1</sup>

#### *To the Congress of the United States:*

The state of the Union message this year<sup>2</sup> set forth an eight-point program required to focus the resources of America upon the urgent tasks of security and peace. As an essential element of that effort, I recommended the vigorous continuation of our mutual security program. I now ask enactment of the legislation that will accomplish this.

It is my duty to make clear my profound conviction that the vigorous advancement of this program is our only logical course. An alternative there is, to discontinue or sharply reduce the program, but the consequences would be—

A severe dislocation and basic impairment of free world power;

A certain crumbling, under Sino-Soviet pressures, of our strategic overseas positions and a forcing of these positions progressively back toward our own shores;

A massive increase in our own defense budget, in amounts far exceeding mutual security appropriations, necessitating increases in taxes;

A heavy increase in inductions of American youth into our own Armed Forces; and

Ultimately a beleaguered America, her freedoms limited by mounting defense costs, and almost alone in a world dominated by international communism.

Those who would consider this alternative to

support of our mutual security program must measure well these consequences.

Since the mutual security program was initiated 10 years ago, its essentials have remained the same: Its means are military, economic, and technical cooperation with other nations. Its object is to preserve peace and freedom for our Nation and for other nations of the free world. Its achievement is what its name declares—the mutual security of our own and other free nations.

It is easy to forget our fears of only a decade ago that France, Italy, and other nations of Europe devastated by war would be engulfed by the Red tide. Due in major measure to this great program, these and other nations of Asia and the Middle East are free today and stand with us against Communist domination.

It is also our mutual security program which has afforded the critical margin of assistance required by still other nations, great and small, in order to make the economic progress essential to their survival.

The accomplishments under this program in building the military strength of the free world have been dramatic. Since 1950, when the military assistance program was inaugurated, the ground forces of countries associated with us for collective defense have grown to include nearly 5 million well trained and equipped fighting men situated at strategic locations around the world. Naval forces have increased by over 100 percent, and the air forces of these nations now include 32,000 aircraft, of which over 14,000 are jets. In the buildup of their forces, the nations associated

<sup>1</sup> H. Doc. 338, 85th Cong., 2d sess.; transmitted on Feb. 19.

<sup>2</sup> BULLETIN of Jan. 27, 1958, p. 115.

with us have spent over five times as much as we have expended on military assistance.

The value of the mutual security program to our national safety and to freedom throughout the world is many times greater than its cost.

## **I. MUTUAL SECURITY IN THE NUCLEAR ERA**

The United States will keep its own military forces strong and ready. But we must not allow concentration on our military might to divert us from other essential objectives of our national security program.

The major objectives of our security effort are to provide opportunities for the advancement of peace and freedom: First, by deterring general nuclear war; second, by preventing local Sino-Soviet aggression; and, third, by forestalling Communist subversion or massive economic penetration of other nations.

In achieving these major objectives of our national security effort, the mutual security program is indispensable.

### **Deterring Total War**

All mankind has a revulsion against nuclear war. We prayerfully hope that this sentiment will ultimately persuade the Soviet Government to participate in a plan of genuine disarmament. Until then, however, we must maintain the deterrent power of our Armed Forces. This power is immeasurably increased by the cooperation of nations friendly to us—in Europe, Africa, the Near East, and Far East, and in our own hemisphere—and by the forward bases there maintained.

The mutual security program plays a direct part in the availability of bases from which strategic striking forces can be staged and fueled. Similarly, it makes possible the logistic, warning, and defense facilities essential to the operation of these bases.

The importance of these facts increases as intermediate range ballistic missiles provide this supplement to our striking power.

### **Preventing Local Aggression**

Our defensive power must be directed as well toward deterring local aggressions which could lead to global war or to piecemeal absorption of

the free world by Communist imperialism. It is imperative that the free world maintain strong conventional forces capable of dealing effectively with such aggressions whenever and wherever they may occur. America alone cannot maintain such forces on the scale required. They must be developed by the threatened nations themselves.

Those nations are anxious to provide for their own defense. They can supply the men and much of the needed facilities and support. But many of them lack the modern industries necessary to provide military equipment or they lack the economic strength needed to bear the full burden of the agreed military effort. To maintain this effort they must have help.

We provide this help—arms through military assistance and economic aid through defense support.

In short, our own military strength, great as it is, is vastly increased by the power of our allies, by the bases we have jointly established and by the whole fabric of our collective security system.

### **Prevention of Communist Subversion and Penetration**

It is not enough, however, that our military assistance and defense support help to prevent Communist expansion by force of arms. We are equally concerned by the danger of Communist absorption of whole nations by subversion or economic penetration.

Military strength alone is not an adequate barrier to this insidious process.

To defeat the spread of communism by these means, economic progress is essential.

Our technical assistance and economic development programs serve this larger purpose. They are addressed for the most part to the less developed countries of the free world, because it is in these countries that freedom now hangs most precariously in the balance.

More than 1 billion people live in these newly developing nations. These people want economic as well as political independence; they want education and the enriched life it will bring; they want a voice in world affairs; and they want urgently to have the material advances made possible by modern technology.

The governments of these newly developing countries are now under pressure from within to



fulfill the hopes and needs of their people for education and economic betterment. They are exposed to Communist enticements and threats. Against a background of massive social and economic problems, solid steps toward solving these problems have been taken.

But even with the most determined local effort, in many countries the prospects for economic growth, unassisted, are not promising. If free institutions are to survive in these countries they must have external help. They must have technical assistance to train their manpower, to explore their resources and use them productively. They must have supplementary capital from abroad for investment in agriculture, power, transportation, and industry. They must have help to tide them over economic difficulties that threaten their stability and cohesion. They must have increasing trade with availability of necessary imports and growing markets over a long term.

It is the purpose of our economic and technical assistance programs to enlarge the community of nations that can meet the aspirations of their people for economic and social improvement. We can help to demonstrate that growth can be achieved more readily in conditions of freedom, that it is not necessary to sacrifice liberty for bread.

It is also in our interest to establish a sound basis for effective international cooperation. Poverty is a divisive force in the world. Working together with the people of less developed countries in a common attack on poverty, we talk a common language that all men understand and we help to establish the basis for better relations and more enduring cooperation among free nations.

We also have an economic interest in promoting the development of the free world. In the years to come, the increased economic strength of less developed countries should prove mutually beneficial in providing growing markets for exports, added opportunities for investment, and more of the basic materials we need from abroad.

The leaders of the Communist bloc are acutely aware that the economic needs of many independent nations offer communism a valuable opportunity to influence the political direction in which those nations will move. For the past 3 years, the Soviet Union, Communist China, and the satellite nations have been offering increasing amounts of economic and technical aid to countries of the free

world, often under conditions that, on the surface, are appealing.<sup>3</sup> They have already concluded agreements for aid involving substantial sums, and additional offers are outstanding. In several free nations, the aid pledged by the Communist bloc equals or exceeds that made available to them from free world nations in the same period.

If the purpose of Soviet aid to any country were simply to help it overcome economic difficulties without infringing its freedom, such aid could be welcomed as forwarding the free world purpose of economic growth. But there is nothing in the history of international communism to indicate this can be the case. Until such evidence is forthcoming, we and other free nations must assume that Soviet bloc aid is a new, subtle, and long-range instrument directed toward the same old purpose of drawing its recipient away from the community of free nations and ultimately into the Communist orbit.

The newly independent countries will not knowingly choose subordination. They are proud of their sovereignty. They know recent history which shows plainly that whenever the opportunity has arisen, the Soviet Union has swallowed up its neighbors and is willing to use tanks to crush attempts to gain freedom from Soviet domination.

Yet if newly developing countries are forced to choose between abandoning development programs demanded by their people or achieving them through Communist bloc assistance, the opportunity for Communist economic penetration will be greatly enhanced.

The United States provided economic and technical help for development for many years before the Soviet economic offensive began. It is now all the more important that we and other developed nations of the free world should continue and increase effective programs of aid which may be relied on by the less developed countries to give them timely and substantial help.

So long as the uncommitted countries know that the rest of the free world shares their aspirations and is prepared to help them achieve economic and social progress in independence and freedom, we can be confident that the cause of the free world will prevail.

<sup>3</sup>For a summary of the Soviet economic offensive in recent months, see *ibid.*, p. 144.

## II. THE PROGRAM FOR FISCAL YEAR 1959

The mutual security program which I recommend for fiscal year 1959 contains essentially the same component parts as authorized by the Congress last session. To carry out this program I request \$3,942,100,000.

### Military Assistance

Military assistance continues to be the essential program by which we join with our allied and associated nations in maintaining well-armed forces in NATO, the Baghdad Pact, the Southeast Asia Treaty Organization, and in other key nations in the Far East and Southeast Asia. Through this program we also supply advanced weapons to our allies in Europe and elsewhere for their effective defense.

The mutual defense assistance which we have furnished, and are proposing to furnish, to nations, organizations, and areas of the free world will continue to make them more able to defend themselves, and will thereby strengthen the security of the United States and promote world peace.

I ask for \$1,800 million for military assistance. This sum will be sufficient to maintain during fiscal year 1959 the level of deliveries carried out in fiscal year 1957 and projected for fiscal year 1958.

### Defense Support

For defense support I request \$835 million, to go to 12 countries that are supporting substantial military forces. These funds are needed to enable the recipient countries to make a mutually agreed contribution to our common military effort. This amount is substantially what I requested last year<sup>4</sup> for support to these same 12 countries. Of the total amount, 70 percent would be used in 4 countries—Korea, the Republic of China, Vietnam, and Turkey.

### Special Assistance

Several of our mutual security needs, some closely related to our collective security effort, cannot be met through other categories of assistance.

<sup>4</sup> *Ibid.*, June 10, 1957, p. 920. For a summary of the legislative history of the mutual security program for fiscal year 1958, see *ibid.*, Oct. 14, 1957, p. 615.

For these we shall need to provide special assistance. I request \$212 million for special assistance. This will serve two main interests.

*First*, special assistance helps maintain political and economic stability in certain nations where we do not support substantial military forces. Among such nations are Morocco and Libya where we have Strategic Air Command bases of great importance. In fiscal year 1958 assistance of this nature was included within the category of defense support. It will help clarify the purpose of this assistance if it is now provided as special assistance.

*Second*, special assistance supports another group of activities not falling properly under other categories of the act; for example, a continuation of the worldwide malaria-eradication program, the European technical exchange program, and a program in Latin America to provide training and civilian type equipment to military engineer units for construction of useful public projects.

### Development Loan Fund

This Congress in its first session established the development loan fund to help friendly nations strengthen themselves by encouraging the development of their economies on the basis of self-help and mutual cooperation.

This action was taken to place our economic development assistance on the long-term basis essential for sound planning and execution of development programs. The Congress appropriated initial capital of \$300 million. The fact that the fund has already received applications totaling well over \$1 billion is a measure of the hopes which these newly developing nations place in it.

I request that the \$625 million already authorized to be made available beginning in fiscal year 1959 be appropriated in full. This full amount is needed as additional capital for the fund in order that its basic objectives may be realized.

The fund's long-term character set it apart from economic assistance elsewhere provided in the mutual security program. I believe it is wise, therefore, to identify the fund as a separate entity. I am accordingly requesting incorporation of the fund with a board of directors which will both act as the governing body of the fund and assure coor-

dination with our foreign policy objectives, with other mutual security activities and with lending activities of the Export-Import Bank and the International Bank.

### Technical Cooperation

Our technical cooperation program is well established and has wide support of the American people. It should be gradually increased as additional able, well-trained technicians can be prepared to work abroad. For this program I ask \$142 million for fiscal year 1959.

I also ask \$20 million for the United States contribution to the United Nations technical assistance program. At the recent meeting of the General Assembly, the United States took the lead in proposing an expansion of this program, including the establishment of a special projects fund, in order to meet repeated and urgent requests from the newly developing nations for forms of technical development not now available from the United Nations.<sup>5</sup> The proposal, if fully implemented by contributions from United Nations members, would ultimately result in a United Nations program of \$100 million a year. I anticipate that an appropriation of \$20 million will be sufficient to meet our obligations under this arrangement during the coming fiscal year.

In addition I request \$1.5 million to continue our contribution to the work of the Organization of American States.

### Contingency Fund

Past experience has proven time and again that, as the fiscal year develops, contingencies will arise for which funds will be needed. Some of these can be foreseen but without certainty as to the amounts; some cannot now be foreseen. Considering the turbulent state of the world today, I believe a fund of \$200 million for contingencies is the minimum that will be needed for these purposes. Funds in the same amount were requested for fiscal year 1958 as a clearly distinguished part of special assistance. The important need for such funds can more clearly be identified through a separate appropriation to be used as required under the established categories of assistance.

<sup>5</sup> *Ibid.*, Jan. 13, 1958, p. 57.

### Other Programs

For other programs I ask the appropriation of \$106.6 million. As in past years these funds will provide for our contribution to the United Nations Children's Fund, certain refugee programs, the atoms-for-peace program, and for the cost of administering the economic programs. This administrative cost includes initial funds for bringing about an increase in the training of employees to speak the language of the countries in which they will serve. This is increasingly important because many of the newly independent nations speak languages in which we have few experts.

### III. CONCLUSION

In recommending to you the vigorous continuation of our mutual security program, I am conscious of the feeling of some that desirable developments should be accomplished in this country before funds are used for development abroad.

This feeling springs in large part from the kind of misunderstandings typified by the name so often attached to this program: "foreign aid." This name is often used as though the program were some sort of giveaway or handout to foreigners, without benefit to ourselves.

For all the reasons I have discussed, the very opposite is true. Our mutual security program is of transcendent importance to the security of the United States.

No one would seriously argue that funds for our own military forces should be denied until desirable civilian projects had been provided for. Yet our expenditures for mutual security are fully as important to our national defense as expenditures for our own forces, and dollar for dollar buy us more in security.

For the safety of our families, the future of our children and our continued existence as a nation, we cannot afford to slacken our support of the mutual security program. The program I have recommended represents the smallest amount we may wisely invest in mutual security during the coming year.

DWIGHT D. EISENHOWER

THE WHITE HOUSE, February 19, 1958.

## **U.S. Extends Good Offices to France and Tunisia**

### **DEPARTMENT ANNOUNCEMENT, FEBRUARY 17**

Press release 71 dated February 17

After receiving indications from both the Tunisian and French Governments that good offices would be acceptable, the United States Government has decided to extend its good offices, in conjunction with the United Kingdom, in order to assist the Governments of France and Tunisia to settle outstanding problems between them.<sup>1</sup>

### **STATEMENT BY JAMES J. WADSWORTH<sup>2</sup>**

The Government of the United States wishes to confirm its decision, as announced yesterday, to extend its good offices in conjunction with the Government of the United Kingdom in order to assist the Governments of France and Tunisia to settle outstanding problems between them.

I wish also to state, Mr. President, that my delegation wishes to express gratification that this offer has been accepted by both parties. In the first instance, the responsibility for a peaceful solution to the differences which are outstanding between France and Tunisia lies with those two countries under article 33 of the United Nations Charter. The fact that the Governments of these

two countries have elected to accept the good offices of two mutual friends is taken by my Government as an indication of their sincere desire to reach such a solution.

To a large extent, Mr. President, the precise manner in which these good offices are to be implemented will have to be worked out by the four powers involved, and, as one of the two powers which are extending their good offices, the United States hopes to be able to offer affirmative suggestions to advance the objective of a peaceful and equitable solution of these problems.

It is, we believe, a good augury for the future that the parties to the proceedings now before this Council are endeavoring, as suggested by article 33, to settle peacefully the differences noted in their cross-submissions to the Council and the other outstanding problems between them by means of their own choice.<sup>3</sup>

### **DEPARTMENT ANNOUNCEMENT, FEBRUARY 19**

Press release 75 dated February 19

The State Department announced on February 19 that the Secretary has designated Deputy Under Secretary Robert Murphy to represent the United States in exercising this Government's good offices in conjunction with the Government of the United Kingdom in order to assist the Governments of France and Tunisia to settle the outstanding problems between them.

As was noted by the United States representative before the Security Council on February 18, to a large extent the precise manner in which this Government's good offices are to be implemented will have to be worked out by the four parties involved. As one of the two powers which are extending their good offices, the United States hopes to be able to offer affirmative suggestions to advance the objective of a peaceful and equitable solution of the problems to be considered.<sup>4</sup>

<sup>1</sup> For a Department statement on the Tunisian incident, see BULLETIN of Feb. 24, 1958, p. 293.

<sup>2</sup> Made in the United Nations Security Council on Feb. 18 (U.S./U.N. press release 2871) during consideration of the "Complaint by Tunisia in respect of an act of aggression committed against it by France on 8 February 1958 at Sakiet-Sidi-Youssef" (U.N. doc. S/3952) and the complaint by France on the "Situation resulting from the aid furnished by Tunisia to rebels enabling them to conduct operations from Tunisian territory directed against the integrity of French territory and the safety of the persons and property of French nationals" (U.N. doc. S/3954). Mr. Wadsworth is Deputy U.S. Representative to the United Nations.

<sup>3</sup> The Council adjourned without taking action.  
<sup>4</sup> Mr. Murphy left Washington on Feb. 21 for New York, London, Paris, and Tunis.



## President Calls for Positive Response From Soviet Union on Establishing Better Relations

*Following is an exchange of correspondence between President Eisenhower and Nikolai A. Bulganin, Chairman of the Council of Ministers of the Union of Soviet Socialist Republics.*

### THE PRESIDENT TO PREMIER BULGANIN

White House press release dated February 17

FEBRUARY 15, 1958

MY DEAR MR. CHAIRMAN: I am in receipt of your communication of February 1.<sup>1</sup> I note that it is a slightly abbreviated and moderated edition of the lengthy and rather bitter speech which Mr. Khrushchev made at Minsk on January 22.

I begin to wonder, Mr. Chairman, whether we shall get anywhere by continuing to write speeches to each other? As I read your successive lengthy missives of December 10,<sup>2</sup> January 8,<sup>3</sup> and February 1, I cannot avoid the feeling that if our two countries are to move ahead to the establishment of better relations, we must find some ways other than mere prolongation of repetitive public debate. In this connection, I have some thoughts to offer.

But first I comment briefly on your latest note.

### II.

I tried in my letter to you of January 12<sup>4</sup> to put forward some new ideas. For example, I proposed strengthening the United Nations by re-dedication of our nations to its purposes and prin-

ciples, with the accompaniment of some reduction in the use of the veto power in the Security Council.

That proposal you reject, alleging that it would give to the Security Council a power to "adopt decisions that would be binding on all States" and make it in effect a "world government". That argument is directed to a misrepresentation of my proposal. I suggested that our two nations should, as a matter of policy, avoid vetoing Security Council recommendations as to how nations might proceed toward the peaceful solution of their disputes. Surely authority to *recommend*, and that only as to *procedures*, is not to impose binding decisions. Already, the General Assembly can, free of veto, recommend procedures for peaceful settlement. Would it really be catastrophic for the Security Council to exercise that same facility?

### III.

Another new idea was that outer space should be perpetually dedicated to peaceful purposes. You belittle this proposal as one made to gain strategic advantages for the United States. Mr. Khrushchev in his Minsk speech said, "This means they want to prohibit that which they do not possess."

Since the record completely disproves that uncalled for statement, may we now hope between us to consider and devise cooperative international procedures to give reality to the idea of use of outer space for peace only.

When the United States alone possessed atomic weapons and the Soviet Union possessed none, the United States proposed to forego its monopoly in the interest of world peace and security. We are prepared to take the same attitude now in

<sup>1</sup> For a White House statement of Feb. 3 regarding the Soviet note of Feb. 1, see BULLETIN of Feb. 24, 1958, p. 293.

<sup>2</sup> *Ibid.*, Jan. 27, 1958, p. 127.

<sup>3</sup> Not printed. For text of President Eisenhower's reply, see BULLETIN of Feb. 10, 1958, p. 211.

<sup>4</sup> *Ibid.*, Jan. 27, 1958, p. 122.



relation to outer space. If this peaceful purpose is not realized, and the worse than useless race of weapons goes on, the world will have only the Soviet Union to blame, just as it has only the Soviet Union to blame for the fact that atomic and nuclear power are now used increasingly for weapons purposes instead of being dedicated wholly to peaceful uses as the United States proposed a decade ago.

The Soviet Union refused to cooperate in tackling the problem of international control of atomic energy when that problem was in its infancy. Consequently, it has now become too late to achieve totally effective control although there can be, as we propose, a controlled cessation of further weapons testing and of the manufacture of fissionable material for weapons purposes. But, as your Government said on May 10, 1955,<sup>5</sup> a total "ban" on atomic and hydrogen weapons could not now be enforced because "the possibility would be open to a potential aggressor to accumulate stocks of atomic and hydrogen weapons for a surprise atomic attack on peace-loving states."

A terrible new menace can be seen to be in the making. That menace is to be found in the use of outer space for war purposes. The time to deal with that menace is now. It would be tragic if the Soviet leaders were blind or indifferent toward this menace as they were apparently blind or indifferent to the atomic and nuclear menace at its inception a decade ago.

If there is a genuine desire on the part of the Soviet leaders to do something more than merely to talk about the menace resulting from what you described as "the production of ever newer types of weapons", let us actually do what even now would importantly reduce the scope of nuclear warfare, both in terms of checking the use of fissionable material for weapons purposes and in wholly eliminating the newest types of weapons which use outer space for human destruction.

#### IV.

With respect to the meeting of Heads of Government, the cumulative effect of your last three missives is to leave considerable puzzlement as to what you think another such meeting could contribute to a genuine settlement of our problems.

<sup>5</sup>For texts of Soviet disarmament proposals, see *ibid.*, May 30, 1955, p. 900.

You have proposed, and insisted on, about ten topics which you want to have discussed at such a meeting. I, in turn, suggested some eight topics which I thought should be discussed—strengthening the United Nations, dedicating outer space to peaceful purposes, the reunification of Germany, the right of the peoples of Eastern Europe to choose the form of government under which they would live, and a number of specific proposals in the disarmament field.

I wrote that, if there were to be a top-level meeting, I would be willing to discuss your proposals in good faith if you would so discuss mine. Your answer is that I must be prepared to discuss your proposals but that as regards mine there must, you said "be unanimous agreement of all participants as to the necessity for considering such proposals". In other words, you demand the right to veto discussion of the matters I believe to be vital to peace.

I noted that Mr. Khrushchev devoted a considerable part of his Minsk speech to a discussion of conditions in Hungary, Poland, and East Germany. Does the Soviet Union claim such a proprietary interest in these lands and people that to discuss them is solely a matter of Soviet domestic concern? If not, and if these lands and people can be discussed by Soviet leaders as an international problem, why cannot we both discuss them?

If indeed a top-level conference were to apply the formula that no one is to say anything except what all the rest agree they would like to hear, we would, as I said in my last press conference, end up in the ludicrous posture of our just glaring silently at each other across the table.

Perhaps the impasse to which we seem to have come can be broken by less formal and less publicized contacts through which we would continue to seek to find out whether there can be a top-level meeting which, in the words of my letter to you of January 12, 1958, "would hold good hope of advancing the cause of peace and justice in the world". Exchanges of views effected through our Ambassadors or Foreign Ministers may serve better than what Mr. Khrushchev referred to at Minsk as "polemics" between Heads of Government. The United States is accordingly consulting with some other interested nations as to the desirability of exploring, through more normal channels, the prospects of a top-level meeting

which would be adequate as to subjects, and as to which preliminary exchanges would indicate good prospect of an accord. You will understand, of course, that, whatever be the preparatory procedures, these would, as far as the United States was concerned, require the participation of our Secretary of State.

## V.

"Polemics" will not, I fear, advance us along the path of better relations which is my nation's goal. Indeed, I deplore the constantly mounting accusations within the Soviet Union that the United States is a nation ruled by aggressive war-minded imperialists. Mr. Khrushchev's speech of January 22 is an outstanding example of such charges and indeed they are to be found in your February 1 note.

What is the explanation of such charges? They seem to fly in the face of established history.

Until the end of the First World War, war was generally accepted as a lawful means of conducting foreign policy. But after World War I showed the terrible consequences of such toleration of war, the United States took the initiative in bringing about the Pact of Paris whereby the nations of the world renounced war as an instrument of national policy. An even broader renunciation of force is now found in the United Nations Charter. The United States, which initiated the concept of the international renunciation of force, has sought to adhere scrupulously to that concept.

I am really amazed now to be told by Soviet leaders, who have never even been near this country, that there are in the United States those who, in your words "utter the dangerous call for preventive war"; and conduct "unrestrained propaganda for war". If any such persons exist in the United States, I do not know of them; nor do I know of any "imperialist ruling circles" that are supposedly eager to plunge the world into war in order to make financial gains.

These allegations do not provide the real facts of American life. The real facts are the intense longing of the American people for peace; the working of the American constitutional system which assures that government shall be responsive to the peaceful will of the people; our "built-in" guarantees against the possibility of any United States Government suddenly initiating war; our national dedication to the international renun-

ation of force as an instrument of national policy; the decisive influence for peace of American religious, labor, intellectual and political leaders and of their organizations.

It is, of course, quite true that our people are flatly opposed to regimes which hold people against their will and which deny the principle on which our nation was founded, that governments derive their just powers from the consent of the governed and can never rightly deprive the governed of their inalienable right to life, liberty and the pursuit of happiness. Our people's rejection of many foreign and domestic aspects of Soviet methods and policies is, however, demonstrably not a moving cause to war. Otherwise we would have struck when we had atomic weapons and the Soviet Union had none; or when we had thermonuclear bombs and the Soviet Union had none.

## VI.

When I contrast the actual facts of American life with such portrayals as those of Mr. Khrushchev at Minsk, and indeed of your latest communication to me, I am impressed more than ever before with the enormous difficulties besetting us in attempting to move toward better relations and with the greater necessity than ever before of doing so.

It is possible that Soviet leadership feels it necessary deliberately to misrepresent the American viewpoint. If so, one effect would be to confuse their own people and the people of those Eastern European countries under their domination, who are denied access to world information except as the Soviet leaders permit. Another effect would be to make true cooperation more difficult. Possibly also these misrepresentations constitute blind adherence to what was one of the early tenets of orthodox Communism, namely, that capitalistic societies are by their very nature warlike.

I prefer, however, to assume that these misrepresentations are not willful but result from genuine misconceptions which could be done away with.

## VII.

Our two nations are both now exploring and seeking to learn the truth about outer space. But is it not more important to learn the truth about each other? The ambassadorial agreement con-

cluded between our Governments on January 27, 1958,\* points in this direction. It contemplates exchanges that, it is said, "will contribute significantly to the betterment of relations between the two countries, thereby contributing to a lessening of international tension". I hope that we shall make full use of that agreement. But, for the most part, it deals with exchanges of technicians and specialists in various fields. Would it not be well if, in addition, leaders of thought and influential citizens within the Soviet Union should come to visit the United States, not to acquire technical knowledge but rather to learn at first hand the feeling of our people toward peace and the working of our popular institutions as they affect our conduct of foreign relations. Most of the Soviet citizens who exert an influence are strangers to this country with, I fear, totally false conceptions. These misconceptions I should like to see corrected in the interests of better relations. I can assure you that groups of qualified citizens of the U.S.S.R. coming here for the purpose I describe would receive every facility to learn about our country and our people and the working of our political institutions.

I feel also that we need particularly to be thinking not only of the present but also of the future and of those, now young, who in a few years will be carrying heavy responsibilities that our generation will pass on to them. I think our young people should get to know more about each other. I strongly feel that the recent agreement for the exchange of 20 to 30 students a year is a small step in the right direction, but woefully inadequate. I may write you further on this topic.

### VIII.

In the meantime, I reaffirm what has been so often said by Secretary Dulles and by myself. The American nation wants nothing more than to cooperate wholeheartedly with any Soviet Government which is genuinely dedicated to advancing, by peaceful means, the welfare of the people of the Soviet Union. It should, however, be appreciated how difficult it is to generate here the good will which the Soviet leaders claim they want, so long as there remains between our two countries the vast gulf of misunderstanding and misrepresentation

that is again revealed by both speeches and written communications of Soviet leaders. If the Soviet leaders sincerely desire better relations with us, can they truly think it helpful for the Soviet Union to continue to pursue the objectives of International Communism, which include the overthrow of other governments? The Moscow Manifesto made last November by the representatives of Communist Parties from 64 nations, and the Soviet Government's official endorsement of the results of the recent Afro-Asian Conference in Cairo could not fail to raise in the minds of our people the question of the real purposes of the Soviet leaders.

We shall nevertheless go on seeking such good relations. And I hope that, if there is a positive response to the concrete suggestion here made, we may perhaps do something toward ushering in a new and better era.

Sincerely,

DWIGHT D. EISENHOWER

### PREMIER BULGANIN TO THE PRESIDENT

Official translation

DEAR MR. PRESIDENT: I received your reply to my message of December 10 last as well as your communication to the effect that you had received my message of January 8, 1958. While awaiting your reply with regard to the substance of my message of January 8 and of the proposals of the Soviet Government on matters pertaining to the lessening of international tension, I shall take the liberty to present certain considerations which have arisen in connection with your message.

First of all, I should like to inform you that we in Moscow have received with gratification your agreement with our opinion concerning the usefulness of personal contacts between statesmen of various countries which you have expressed, as well as your readiness to meet with Soviet leaders and the leaders of other appropriate states concerned for the purpose of conducting negotiations.

We also note that you share our opinion that it is desirable that the proposed summit meeting be successful. It is from these considerations, as I have already informed you, that the Soviet Government proceeded in developing concrete proposals to conduct the meeting. We propose that the attention of participants at the top level be concentrated on the most urgent problems, with regard to which the known positions of states provide a certain degree of assurance as to their positive solution at this time. This is why the Soviet Government proposes, as you know, that such problems as the following be discussed at the meeting:

\* *Ibid.*, Feb. 17, 1958, p. 243.

Immediate suspension of atomic and hydrogen weapons tests; renunciation by the U.S.S.R., the United States, and the United Kingdom of the use of nuclear weapons; Creation in Central Europe of a zone free of atomic weapons;

Conclusion of a nonaggression pact between the NATO member states and states party to the Warsaw Treaty;

Reduction in the number of foreign troops stationed in the territory of Germany and within the borders of other European states;

Development of an agreement on questions pertaining to the prevention of sudden attack;

Measures to expand international trade ties;

Discontinuation of propaganda for war; and

Ways and means for lessening the tension in the Near and Middle East area.

In addition, as is indicated in the proposals of the Soviet Government of January 8, the meeting could discuss other constructive proposals directed towards terminating the "cold war" which may be presented by other participants in the meeting. It is obvious that there must be unanimous agreement of all participants as to the necessity for considering such proposals.

As to problems with regard to which there is, at this time, little foundation for counting on their mutually acceptable solution, the meeting could agree on the procedure for their consideration at the next stage of negotiations between states. It is our profound conviction that such a method of gradually solving international problems is, under present conditions, where the necessary trust in the relations between states is still lacking, the most realistic and promising. There is no doubt that the reaching of agreements, initially at least on individual problems, would create favorable premises for settling other unsolved international problems also.

Let us take as an example the proposal for an immediate suspension of atomic and hydrogen weapons tests even for a period of two or three years. The urgency of the solution of this matter is obvious. It was again most forcefully emphasized in the petition of 9,235 scientists from 44 countries, which was addressed to the Secretary General of the United Nations, Mr. Hammarskjöld, a few days ago and which calls for an immediate suspension of nuclear weapons tests. This petition, which was signed, in particular, by 101 members of the National Academy of Science of the United States and 216 Soviet scientists, states that each nuclear bomb test increases the amount of radioactive particles which are harmful to the health of people on the entire globe.

At the same time it is known that the majority of states, including powers possessing nuclear weapons, recognize in principle the necessity of reaching agreement on this matter. If we take into account the fact that the implementation of control over the fulfillment by states of commitments undertaken by them with regard to a suspension of nuclear weapons tests is comparatively easy and that such a step gives none of the states possessing nuclear weapons any advantage which would prejudice the interests of other states, then it would become clear that the reaching of an agreement on this subject is fully

possible at this time and depends exclusively on the states possessing nuclear weapons. As to the Soviet Union, it is, as has been repeatedly stated, prepared to suspend the testing of such weapons if other powers agree to do the same.

Are the doubts as to the significance of such an agreement justified? In our opinion they are not. In this respect we fully share the opinion of scientists who state in the above-mentioned petition that an international agreement on suspension of nuclear bomb tests at this time could serve as a first step towards more extensive disarmament and towards an ultimate effective prohibition of nuclear weapons.

We also consider the other above-mentioned problems no less important and ripe to the same degree for consideration and successful solution at this time.

In your message, Mr. President, while expressing your agreement to discuss at a summit meeting the proposals of the Soviet Government, you, on your part, propose that a number of other matters be discussed.

It is obvious that in any negotiations, the more so in negotiations at the highest possible level, only those problems which all the participants are prepared to consider should be discussed. There is hardly anyone who would object to this. However, I cannot help noting the following circumstance. While expressing your agreement to discuss at the meeting the matters suggested by the Soviet Union, you make it understood in advance that from your point of view it is not useful or necessary to reach an agreement on such matters as the proposal for a renunciation by the United States, the United Kingdom, and the U.S.S.R. of the use of nuclear weapons, the proposal to conclude a nonaggression pact between NATO member states and the states party to the Warsaw Treaty, or the proposal to renounce the use of force in solving the problems connected with the Near and Middle East. In this connection references are made to the fact that the commitments envisaged in the said proposals are covered by the commitments which are imposed by the U.N. Charter on the members of that organization.

The same argument is advanced to provide the foundation for the negative attitude, expressed in your reply message, toward the Soviet proposal that our states proclaim their firm intention to develop between themselves relations of friendship and peaceful co-operation. If the United States Government does not consider it possible or desirable to accept such a proposal, then this fact can only cause our deep regret, since the Soviet Government, which is striving consistently for peaceful coexistence and friendly cooperation with all countries, attaches in this connection an especially great significance to the improvement of relations between the USSR and the United States. In doing so we believe that the present unsatisfactory status of these relations is by no means dictated by necessity and that there are sufficient practical possibilities for a change for the better, which is in fact proven by the Agreement on Exchanges in the Fields of Culture, Technology and Education, signed by our representatives a few days ago. We are convinced that an improvement in relations between our states



requires active efforts by both sides and we cannot, of course, help experiencing disappointment that our proposal for making a new important step along this path is rejected by reference again to the Charter of the United Nations—a reference, the artificial nature of which is obvious.

I need not, Mr. President, put particular emphasis on the fact that the proposals of the Soviet Government advanced for the consideration of states are directed towards strengthening universal peace and are in full accord with the principles and objectives of the United Nations Charter. The implementation of the measures proposed by us would contribute to the strengthening of the United Nations, would assist it in becoming a really effective organ, protecting the cause of peace. And so far the trouble has not been in the fact that such measures were taken but rather in the fact that, contrary to the principles and objectives of the Charter of the United Nations, agreements were concluded and such organizations were created as NATO, SEATO, and the Baghdad bloc, which undermine the authority of the United Nations and in no way contribute to the lessening of international tension. If one wishes to be consistent and take the position of the United Nations Charter, then first of all it is necessary to liquidate such military groupings. However, since on the part of the Western powers there is no readiness to take such a step at this time, the Soviet Government proposes that joint decisions be made in which there would be confirmed our firm intention to support the United Nations Charter and to execute persistently such measures as would ensure the security of peoples.

We should like to emphasize that the U.N. Charter, as you well know, does not forbid and does not exclude agreements between states directed toward the realization of its principles. On the contrary, the U.N. Charter requires of all states that they strengthen and bring into existence through various acts the principles of maintaining and strengthening peace proclaimed in the Charter. As you know, with the Charter in existence, the U.N. itself adopts a number of resolutions, declarations, appeals, and other decisions, and this is very natural, as is also natural the presence of a whole series of interstate agreements directed toward guaranteeing various forms of peaceful co-operation among U.N. members.

In this connection I should like to refer also to your proposal regarding measures for strengthening the U.N. We, Mr. President, do not disagree with you that it is necessary to strengthen the U.N. and make it an effective organ of international co-operation. In our opinion, much could be done in this respect through the joint efforts of all states, primarily the great powers which are permanent members of the Security Council.

But what does your message propose? It proposes, in essence, one thing: to depart from the principle of unanimity of the great powers in the Security Council, a unanimity which is the basic pivot on which hinges the very existence of the U.N. Twelve years' experience of the activity of the U.N. has shown with all certainty that this very right of unanimity of the great powers in the

Security Council ("veto") makes possible the very existence of the U.N. as an international organization for the maintenance of universal peace and prevents the adoption of important political decisions in the Security Council which would not take into account the interests of states which find themselves in the minority. The U.N. is not some kind of world government which could enact laws and adopt decisions that would be binding on all states. In the creation of the U.N. it was kept in mind, and this has been stated with full clarity in the Charter, that states become members of it voluntarily and voluntarily assume obligations to execute the demands of the Charter, while fully maintaining their independence and integrity. The U.N. Charter provides that this organization must be a center for coordinating the actions of nations and for working out mutually acceptable decisions. These ends are also served by the rule of unanimity of the great powers. The abolition of this rule would lead to abuses, to the violation of the interests of the minority, and to attempts to use this organization to the advantage of some one power or group of powers. Is it possible to forget that states which are members of the U.N. are sovereign and independent states and cannot permit themselves to be saddled with decisions which are incompatible with their sovereignty?

It is absolutely obvious, Mr. President, that departure from the rule of unanimity of the great powers would not only fail to strengthen the U.N. but, on the contrary, such a step would weaken this organization and would in the last analysis lead to its disintegration. This cannot be permitted if we are really striving to transform the U.N. into an effective organ of international co-operation and not into an instrument in the hands of supporters of a policy "from out of a position of strength." To identify the U.N. with the interests of a group of states, and actually with those of a single power, means canceling the U.N. Charter for purposes which have nothing in common with those high principles and tasks for the sake of which this international organization was created.

In your message of January 12 you also touch on the German question and that of the situation in countries of Eastern Europe. Our position on the German question is generally known; the substance of it was set forth in my message to you of January 8, where it is stressed that both at the Geneva Meeting of the Heads of Government and also thereafter we have clearly and unambiguously stated that in the light of the actual situation that has developed in Germany its re-unification cannot be achieved without a rapprochement and understanding between both sovereign German states. It is in this very direction that the proposal is intended on the part of the Government of the German Democratic Republic for a German confederation, and therefore we fully support it. One cannot fail to see that under present conditions any approach which does not take all this into account will not only fail to contribute to the solution of the German problem but will also lead to an increase in tension in relations between states.

As for the question of the situation in the countries of Eastern Europe, the position of the Soviet Government does not require any kind of clarification, and I consider



that any kind of polemics on this question would not be of any benefit. However, is it permissible to inquire how it is possible, while having normal diplomatic relations with the people's democracies or with some of them and consequently recognizing the sovereignty and the independence of these countries, to propose to other states to discuss questions dealing with the internal situation in these countries? The Soviet Union cannot be a party to any such dealings which we can consider only as inadmissible interference in the internal affairs of sovereign states. I could also ask another question: are there any grounds for any country to assume the part of an arbiter and presume to decide as to what social and economic regime should be established in any given country? It is precisely for that reason that my colleagues and I declared with the utmost firmness at the Meeting of the Heads of Government at Geneva in 1955 that such questions cannot be the subject of international negotiations.

In indicating the motives for your proposal for the discussion of this question you refer, in particular, to the events in Hungary. But is it not a fact that the events in Hungary have proven above all that the Hungarian people knew how to properly resist those elements which, acting on directives and with the support of certain circles from abroad, made an assault against the social system chosen by the people of Hungary?

For our part, we are firmly convinced that the cause of strengthening universal peace demands of us all that we direct our energies toward those problems the solution of which would create conditions for the development of peaceful co-operation among nations and that we not permit relations to be poisoned by raising such questions as might lead us away from questions of real importance for the preservation of peace. In this respect I think that you will agree that if we are to proceed from a sincere desire to carry out fruitful negotiations, then persistence in advancing, in fact imposing questions which do not meet the approval of other participants in the negotiations, will be of little benefit.

Your message, Mr. President, makes it clear that you, like ourselves, attach great importance to the consideration of the problem of disarmament at a summit meeting. We hope that agreement between us in this respect will allow us to find an element in the problem of disarmament, on which we can reach the same opinion and finally break the deadlock with regard to this entire problem, the solution of which is indispensable for the preservation of peace.

We think as before, that the proposals presented by us in respect to individual aspects of this problem take into consideration the situation as it exists in respect to disarmament and correspond to the needs of the present moment. I would like to make some remarks concerning the considerations presented on this question in your message. We, of course, do not deny the importance of the question of using outer space for peaceful purposes exclusively, i. e., first of all, of the question of the prohibition of intercontinental ballistic missiles with nuclear warheads. I hope, however, Mr. President, that you will agree that this question can be considered only as a part of the general problem of the prohibition of nuclear and

rocket weapons. It is for that very reason that the Soviet Union, in the interest of strengthening peace and reaching agreement on questions of disarmament, is also prepared to discuss the question of intercontinental missiles, provided the Western powers are prepared to agree on the prohibition of nuclear and hydrogen weapons, the cessation of tests of such weapons and the liquidation of foreign military bases in the territories of other states. There can be no doubt that in such a case the reaching of an agreement on the use of cosmic space for peaceful purposes exclusively would not meet with any difficulties.

Is it necessary to argue that a realistic approach to the problem of disarmament requires that the interests of the security of all countries be taken into account rather than of a single country? It can be directly stated that if any of the participants in the negotiations on disarmament is concerned about his own security alone and strives to ensure for himself strategic or other advantages in the course of negotiations, then such negotiations can certainly not lead to any positive results.

I should also like to touch here upon another aspect of this question. Would it be right, Mr. President, if we were to start discussing the problems of cosmic space alone, while setting aside such "earthly" international problems requiring solution as, for instance, the question of the prohibition of atomic and hydrogen weapons? What would be the reaction of the peoples now living in dire anxiety because of the "cold war", the intensification of the armaments race, and the threat of a new war? They would be justified in saying that we do not do what we should and that our first task and duty to mankind must be the elimination of the threat of a new war and the strengthening of peace among the peoples of the earth. Let us then use our joint efforts to achieve these noble goals.

Speaking of the danger of a new war, I must again bring to your attention the great harm done to the cause of peace by the unrestrained propaganda for war being conducted in several Western countries. After all, the situation is such that some rabid partisans of a policy of "positions of strength" openly utter the dangerous call for a preventive war. It is our deep conviction that it is necessary to put an end to this intolerable situation, and the sooner the better. As a matter of fact if we are all really striving to preserve peace, then why should we not unequivocally and decisively condemn propaganda for war and the attempts to cloak warmongering with hypocritical references to freedom of speech and of the press? I am convinced that if all the governments which are to participate in our negotiations take such a position, this alone will, without doubt, contribute to the establishment of a healthier international situation and will create more favorable conditions for the settlement of international problems, which now at times appear to be insoluble.

At the beginning of your message you said, Mr. President, that peace and good will among men have been the sincere desire of all peoples from time immemorial. This cannot be denied. That is precisely why we proposed to other governments to jointly take concrete steps which would show in action our common readiness to

strive for the strengthening of peace and for an improvement in international relations. It is upon the statesmen of all nations, and primarily of the great powers, that now depends to a great extent the answer to the main question which so deeply agitates humanity: Will it be possible to avert the senseless drift toward the catastrophe of war and to reverse the trend of events in the direction of strengthening peace and friendly co-operation among nations?

Our responsibility for the fate of the present and the future generations is indeed great, but our opportunities are no less great. It is obvious that a readiness on the part of the governments of the U.S.S.R. and the U.S.A., as well as that of other great powers, to combine their efforts for ensuring peace throughout the world would be a reliable guarantee that the clouds hovering over the world would be dispersed, and that peoples will at last be able to breathe freely and turn without fear to the creative labors of peace. I do not doubt that a high-level meeting of leading statesmen, such as we propose, with the participating of the heads of government, may become an important step in this very direction, provided all of the participants display the necessary respect for the interest of one another and that they recognize as their principal and noble purpose the strengthening of universal peace.

In my message of January 8 I placed before you the motives by which the Soviet Government is guided in its opinion that the proposed negotiations should take place at the highest level with the participation of the heads of governments. Judging from your reply, you are of the opinion that a summit meeting should be preceded by a meeting of foreign ministers who would consider problems in substance, and thus the summit meeting is made contingent on the results of the meeting of ministers.

It is hardly necessary to repeat why we should like to avoid this. I merely wish to note that if we take into consideration the prejudiced position of some of the possible participants in a meeting of ministers, then we see that there is no assurance that a meeting with such participants would not erect additional obstacles to the preparation of a meeting at the highest level, thus destroying at the very outset this important and urgent undertaking.

It seems to me that the experiences of the past meetings of foreign ministers speak for themselves. Very recently the NATO members held a high-level conference, with the participation of the heads of government, devoted almost exclusively to the discussion of further military preparations within NATO. How should one interpret in this connection the position of those who oppose a meeting at the same high level, the purpose of which would be to discuss a program of peace, a program for the elimination of the threat of a new war, and easing of international tensions. As to the preparation of a summit meeting we are certain that if accord is reached on having such a meeting, then the procedural and other questions bearing on the practical implementation of such an

accord could be solved, in our opinion, without any special difficulties. These questions could be agreed upon through the usual diplomatic channels.

Permit me to express the hope that you will give due attention to my remarks, which derive from a sincere desire to promote the earliest possible convening of a summit meeting, which would be an important step toward the liquidation of the "cold war" and toward the strengthening of universal peace.

The historical moment in which we live urgently demands that we all be imbued with a feeling of special responsibility and that we set aside all secondary considerations and all the prejudices which so often hinder successful work for strengthening peace. This is required by the highest interests of our peoples and of all humanity. We are deeply convinced that the joint efforts of our countries together with the efforts of other governments, can mark the beginning of a new chapter in the development of mankind, that of peaceful co-operation and friendship among nations.

With sincere respect,

N. BULGANIN

February 1, 1958.

His Excellency

DWIGHT D. EISENHOWER,

President of the United States of America,  
Washington, D. C.

## U.S. Makes Annuity Payment to Government of Panama

Press release 79 dated February 21

The State Department announced on February 21 that it has transmitted to the Government of Panama the annuity payment of \$1,930,000 for the year 1958. The payment of this amount each year is called for under the terms of treaties between the two countries in compensation for the rights, powers, and privileges granted to the United States in connection with the Panama Canal Zone. Under the provisions of the Treaty of Mutual Understanding and Cooperation of 1955, the amount of the annual payment was increased from \$430,000 to \$1,930,000.<sup>1</sup>

<sup>1</sup> For text of treaty and accompanying memorandum, together with an announcement of the signing, see BULLETIN of Feb. 7, 1955, p. 237; for a statement by Henry F. Holland, see *ibid.*, Aug. 1, 1955, p. 185.

## Carrying Out the East-West Exchange Agreement

by Frederick T. Merrill

Director, East-West Contacts Staff<sup>1</sup>

I am here today to try to make clear to you the importance of the recent East-West exchange agreement, which was signed by Ambassadors Lacy and Zaroubin on January 27,<sup>2</sup> and to suggest a few means by which you of the public relations profession can, if you wish, play an important part in carrying it out.

In a sense the distinction between an international exchange program and an international information program, such as the Voice of America, is comparable to the distinction between the fields of public relations and advertising. In advertising I believe that one generally seeks to persuade directly, while in public relations the effort is directed more toward establishing a contact and letting information, understanding, and good will flow, if they will, from the relationship itself.

Similarly, it appears to me that the bearing of international exchange upon other aspects of the conduct of our foreign relations is not unlike the bearing of public relations upon general managerial efforts. In each case the specialized field plays a vital though not always conspicuous role in the success of the general effort. Its value, frequently, is most evident when its influence is missing.

If I might make one further comparison, an ambassador, to be truly useful, must have a very keen public-relations sense. It is equally true that the best practitioners in your field are possessed of a very high degree of diplomatic skill.

<sup>1</sup> Address made before the Public Relations Society of America at New York, N. Y., on Feb. 19 (prepared for delivery by William S. B. Lacy, press release 73 dated Feb. 18).

<sup>2</sup> For text, see BULLETIN of Feb. 17, 1958, p. 243.

So it can be said there is common ground between us, and I want to explore some of it with you today.

Let me start by reviewing briefly the importance of the program and the significance of this particular agreement.

President Eisenhower and Secretary Dulles have recently put stress upon these contacts in East-West relations because they recognize that in today's world this source of understanding, good will, and trust is one of the few approaches available for making a start at resolving the issues and reducing the tensions that divide East and West. Thus international exchange is a vital weapon in reducing the risk of a final and devastating war.

One outcome of the Geneva Summit Conference in 1955 was an impetus toward a broadened contact between East and West, and Secretary Dulles, together with the British and French Foreign Ministers, proposed at the Foreign Ministers Meeting later the same year a 17-point program of exchange.<sup>3</sup> Mr. Dulles declared that such contacts are "a curative and creative force" in world affairs. In 1956 a small but meaningful exchange was beginning, when the Hungarian revolution occurred and exchanges were broken off.

Discussions of exchange began in the spring of last year and in June the United States proposed to the Soviet Union an exchange of radio and television programs. The Soviets countered with a proposal to discuss a broad range of exchanges; a meeting last October was agreed upon and held, and after three months of negotiation the recent agreement was signed.

<sup>3</sup> *Ibid.*, Nov. 14, 1955, p. 775.

Someone asked last week whether a Hungarian refugee would not be tempted to slit his throat at the thought that the United States had taken an initiative in resuming exchanges with the power that had ordered the bloody Hungarian suppression.

That is a good question.

I have a simple answer. Two wrongs do not make a right. The more we were shocked and dismayed by the Hungarian tragedy, the more we are bound by our consciences to take such action as might prevent the recurrence of such an event.

One of the major problems we faced in reaching an agreement in itself dramatizes the difficulties that lack of understanding between people and cultures can produce. The Soviet delegates were empowered to commit their Government and people to carry out whatever exchanges were agreed upon. They at first found it difficult to understand why the United States delegation, for its part, was unable under our Constitution to guarantee the acts of American private citizens. They were frankly skeptical of our good faith in carrying out our side of whatever agreement might be signed.

The negotiations might well have failed because the two systems were not able to make allowances for each other's differences. Fortunately, in part through careful discussion and in part through simple human contact, we believe we were able to convince them both of the reality of our constitutional limitations and of our honest intentions.

Now both sides have a responsibility to make good this exchange to which the Governments have agreed. For us as Americans the decisive responsibility will rest with private individuals and institutions. That is why I am particularly happy to meet with you today.

#### **What the Agreement Covers**

The agreement we signed covers the following:

In the first place, an exchange of radio and television broadcasts in the fields of science, technology, industry, agriculture, education, public health, and sports, along with an occasional exchange of broadcasts discussing international political problems. Also an exchange of motion pictures, and of technical and creative talent in the three fields.

Secondly, an exchange of delegations in the fields of iron and steel, the plastics industry, agriculture, and medicine.

Third, an exchange of scientists and technical specialists for lectures, seminars, and joint studies in fields including nuclear physics, nuclear mathematics, health, and agriculture.

Fourth, an exchange of delegations of professors and instructors in the fields of natural sciences, engineering, education, and the liberal arts, and an exchange of students between universities in the two countries.

Fifth, basketball games, track and field contests, weight-lifting contests, hockey games, and chess tournaments between teams of the two countries, as well as provision for reciprocal visits of writers, composers, painters, sculptors, and student newspaper editors.

Sixth, an exchange of exhibits on the peaceful uses of atomic energy; the further development of exchanges of publications between scientific and medical institutions and societies and between individual scientists and specialists; and the promotion of the distribution of the magazines *Amerika* and *USSR* on a reciprocal basis.

Finally, there was agreement in principle for direct commercial air flights between the two nations, subject to further negotiation.

This is the first bilateral agreement between the United States and the U.S.S.R. since the Second World War. So, we hope, it is symptomatic of a hopeful trend in the relations between us. Nevertheless, it is important to recognize that this is a beginning, and a beginning only, in resolving the many and great issues that still separate our two nations.

Furthermore, as I have indicated, the agreement has been signed but it remains to be carried out. On our side the carrying out, since it must be voluntary, could itself be a significant step toward relaxation of tensions. On their side also, execution will be welcome confirmation of their sincerity.

#### **Six Categories of Effort**

Now, as to what the members of the Public Relations Society of America can do to help carry out this agreement.

I see six categories of effort:

First, if the organization with which you are



associated is in a field where exchanges are being undertaken or are appropriate, whether inside or outside of this program, then you who sit on the right hand of top management can exert great influence in seeing that an exchange is given serious consideration. These fields would include, as I have indicated, the radio, television, and moving-picture industries; iron, steel, and plastics; educational and scientific institutions; and possibly agricultural service industries, engineering firms, and others.

Second, if and when any exchange is under consideration, it can be of the utmost importance that you throw the whole weight of your talent, your position, and your conviction into bringing it to successful agreement and then carrying out the practical arrangements for completing the exchange. "There is many a slip 'twixt the cup and the lip," and you can help insure against the slips.

Third, whether or not your organization is directly involved in exchanges, you can support the idea of its giving financial support to independent exchanges of an educational, scientific, cultural, or other nature through contribution of fellowships, scholarships, or grants. This may be an idea of particular interest to industrial, financial, or commercial concerns which have no other direct relation to a field of exchange.

Fourth, when an exchange has been made and citizens of the Communist orbit are among us, you can see that the facilities of your organization are made available to insure them a full opportunity to see us as we are and to see our institutions, public and private, as they actually operate.

The fifth thing you can do is to help see to it, after an American citizen has returned from an exchange visit to a Communist country, that he is given full opportunity to tell others what he saw and learned. We must not forget that exchange is a two-way street.

And in the sixth place, you can assist this exchange program by making sure that you yourselves are fully informed on it and then transmitting your understandings as widely as possible in your organizations and to the general public. I have pointed out that the program depends for its success upon private efforts, and these in turn will depend upon the extent to which understanding and enthusiasm can be generated.

So those are the six means, as I see it, whereby you can lend your support to this vital program of East-West exchange: you can help your organization to undertake exchanges; you can assist with the process of carrying out the exchanges, once undertaken; you can urge your organization, where appropriate, to give financial support to independent exchange efforts; you can help to employ the resources of your organization to insure that Soviet exchangees have a maximum chance to see us as we are; you can give returned American exchangees a full opportunity to pass on what they have learned; and you can use your every talent and resource to see that the public, and the leaders of your institutions and industries, fully understand this program.

#### **Specifics of Action**

Now let me deal with a few specifics of action. As I have already pointed out, your Government can neither commit nor control participation in this exchange program; so the thoughts that follow are suggestions only, suggestions I am bold to make at your gracious invitation.

First, as to encouraging your organization to become directly involved in the program of exchanges: In each field of exchange there is, or may soon be, an industry or activity committee to guide and coordinate effort. I shall see to it that your president is kept informed as to the creation and progress of such committees. Your first step would be to get in touch with the appropriate committee. Once you are in touch with a committee, I am sure the best next steps would suggest themselves to you. There will, of course, be a place on the membership of these committees for skillful public-relations support, as well as ample room for hard work in organizing and coordinating industry efforts.

On the second point, actually negotiating and carrying out the exchanges: Here, again, the industry committee will be important in guiding and supporting your efforts. The extent to which the exchange effort can be organized within your individual institutions is a matter upon which you are better qualified to judge than I.

On the third point, sponsoring of exchanges not related to your particular industry or institution, it may be that the Society would wish to designate some group or individual to serve as a contact between those interested in obtaining



sponsorship and institutions able and willing to provide it. Certainly, should such a group be created, we in Government would be delighted to cooperate with it. You might also want to consider suggesting to the executives of your own institutions that they undertake an occasional visit in Soviet-bloc countries. Perhaps some of you might wish to go yourselves.

On the fourth and fifth points—insuring that those Soviet citizens who come here have maximum opportunity to see and understand our people and institutions, and using to best effect the understanding gained by American exchange-ees of the Soviet attitude and point of view—it would also seem to me that some sort of clearinghouse function could be served, either in the industry committees or through this society if it is desired. By this means individual Soviet exchange-ees could be contacted and given the widest opportunity to meet representative individuals and to see our way of life. In the same way, returning Americans could be made available for lectures, meetings, conferences, articles in trade journals, house organs, or general publications, radio and television appearances, and so on. There is room for a great measure of initiative and imagination in insuring the success of these, the actual contact points of exchange.

I need not assure you, of course, that when we call upon our industries and institutions to participate in any phase of international exchange, we have no intention of jeopardizing our internal security. We know that our system can sell itself. There is no need or desire to run any risk of compromising vital security matters.

On the sixth point—gaining wide public understanding of the program—we on the Government side will try to make full information available to you, as a group and individually, and I am sure you need no instructions from me as to how to pass it on, both within and beyond your own organizations.

I have dealt today with the question of what you and other private Americans can do to contribute to the carrying out of this agreement. All of this assumes, needless to say, that the Soviet side of the agreement will be carried out to an equivalent degree, as we hope and trust it will. I do not have to tell you that your Government will follow these exchanges closely to insure that there is genuine reciprocity and good faith.

Let me touch again on one more point. During the negotiations there were some fainthearted who expressed to us on the American delegation the fear that we were taking considerable risk in relying upon the voluntary performance of private Americans to achieve the execution of this exchange agreement.

May I say that this was never the opinion among us in Washington. And now there has been splendid and gratifying cooperation from the motion-picture industry. The radio and television industries are mobilizing their support; and other groups are already at work. With the interest demonstrated by these groups, and by organizations such as the Public Relations Society of America, I am certain that the outcome of our efforts will be successful.

## **Mothers Report on Visit to Sons Imprisoned in Communist China**

Press release 72 dated February 17

Mrs. Mary V. Downey and Mrs. Ruth Redmond, two of the three mothers who recently traveled to Communist China to visit their sons imprisoned by the Chinese Communists,<sup>1</sup> called on Walter S. Robertson, Assistant Secretary for Far Eastern Affairs, on February 17, to discuss their trip and the prospects for their sons' release. They were accompanied by William Downey, brother of one of the imprisoned men, who also made the trip to Communist China, and by Father Anthony Murphy of St. Maurice Church, New Britain, Conn. (Mrs. Fecteau, the third mother to make the trip, did not come to Washington, but Mr. Robertson has talked with her by telephone.)

At the request of the national headquarters of the American Red Cross, the mothers also discussed with Red Cross officials here details concerning the twice-monthly food parcels sent their sons.

The two mothers told Mr. Robertson that they had received kind and hospitable treatment from the Chinese Communists. Mr. Robertson said it was regrettable that their arduous trip to Peiping and their personal appeal to Chou En-lai had failed to induce the Chinese Communists to release

<sup>1</sup> For background, see BULLETIN of Dec. 23, 1957, p. 999.

their sons. He emphasized that the Chinese Communist regime, in continuing to hold the sons of the three mothers, as well as three other American citizens, violates its commitment of September 10, 1955, to take steps to permit them to return "ex-

peditionously" to the United States. He assured the mothers that the U.S. Government would continue to employ all practicable means at its disposal to bring about the release of all six imprisoned Americans.

## United Europe: A Strong Partner

*by Frederick W. Jandrey*

*Deputy Assistant Secretary for European Affairs<sup>1</sup>*

I feel it a special privilege to attend this luncheon of the Chicago Council on Foreign Relations for several reasons: First, I am substituting for Deputy Under Secretary Robert Murphy, who is not here because, as you may have read, he leaves today for London, Paris, and Tunis pursuant to the desire of the United States in conjunction with the United Kingdom to be helpful in the present French-Tunisian differences. Secondly, this is a representative group which is alive to the need for all of us to spend more time than we have before in examining some of the problems of world affairs in which our common destiny is bound. And, finally, my birthplace was in Wisconsin and I am proud to be a Middle Westerner.

Having grown up near Lake Michigan, whenever I have heard references to Chicago as a "world" port, it has been a pleasurable sensation. A world port! But apart from the pride and satisfaction we feel over that concept, there is another connotation, i. e., a direct exposure to world events and the mixture of good and bad that goes with them. As a young man in Wisconsin I felt a great sense of security and isolation from European power politics, from Asiatic trends or African turmoil. In fact, our aloofness from world politics at the time gave me a false sense of superiority. The European powers provided a type of police power and world stability

which enabled us as a nation to grow into maturity. This growth was accelerated by two world wars, by our later experience with totalitarian systems—with fascism, nazism, and communism—and then with Korea providing a sort of post-graduate, if bitter, course in the ebb and flow of power politics.

Now the subject for this week in the Council's "Great Decisions" series is "United Europe: Partner or Rival?" That is an interesting title, and I would like to talk to you a little about Europe.

It is no reflection on the value we attach to our friendships in other parts of the world to say that Europe remains for us a major element in the pattern of our foreign policy. And one of our major objectives is to help Europe become, as it has been, our prosperous and strong partner. We feel that objective is not only of advantage to us and to Europe but is of positive advantage to our friends in the other areas—in Latin America, in the broad reaches of the Pacific, Africa, in Asia, and the Middle East. We would like to see Europe capable of its own self-defense but in any event linked with us in a system of collective security. The North Atlantic Treaty Organization is a keystone of our policy, but we are careful not to permit disproportionate emphasis to be placed on military considerations, as important as they are. We are bound to Europe in countless ways and especially in culture, in business, in scientific endeavor, and in political objectives. There are affinities here which stem from the origins of

<sup>1</sup> Address made before the Chicago Council on Foreign Relations at Chicago, Ill., on Feb. 21 (press release 78).

many of us, historical and family and sentimental considerations which are not easily translatable.

In our national history we started with Washington's wise precept against entangling alliances, a policy which served us well during our national infancy and adolescence until we emerged as a great power possessed of industrial might and wealth of the first magnitude. Today we live in a contracting world and the age-old barriers of ocean and distance no longer are a protection. We live in the day of intercontinental missiles. We live in the atom age and tomorrow will live in the age of outer space.

In the early postwar days it came as a shock to many of us that our eminent position would not spare us either from rigorous competition or dangerous threat to our security provided by a new Russian empire which skillfully mixes old-fashioned expansionism with the ideological crusade of international communism. As the main bastion of capitalism we became the ultimate target of international communism, ultimate because the more immediate goal was Central and Western Europe.

And that is in part how we became partners in 1949 in the North Atlantic Treaty Organization. Article 5 of that treaty includes language which fundamentally reverses the Washingtonian admonition and establishes the principle that an attack against one member of the alliance is an attack against all. Often in dealing with our European friends we wonder whether they at times yet realize what a fundamental change in American policy our adherence to the North Atlantic Treaty brought about. So often we still hear doubts expressed by individuals who remember the neutrality of the early years of World War I and World War II and wonder whether we will honor the pledge contained in article 5. And perhaps some of our own citizens are not fully conscious of this basic development carrying with it an exposure to immediate repercussions. Without that obligation the system of collective security which has been constructed would not have been possible. But it works both ways.

#### **The Problem of a Divided Germany**

The continuing division of Germany, maintained by force, is a major international problem today. I think it was Mr. Molotov who some time

ago, long before he became aware of the attractions of Outer Mongolia, said something to the effect that, as goes the Ruhr, so goes Europe. There is a considerable element of truth in that remark. When we look back on the sequence of events following the Berlin armistice agreement in May 1945, it is clear that the London agreement of 1944, which followed the Tehran conversations and, in turn, was followed by the Yalta agreement, provided the major test of the ability of the West to cooperate with the Soviet Union in the practical solution of world problems.

The zonal treatment of Germany has been criticized, but it should be remembered that in 1943 there were many in the West who believed that the Russian forces would reach the Rhine before our own. On that hypothesis a temporary demarcation at the Elbe seemed a very attractive solution. At Potsdam we concluded with the Soviet Union an agreement providing for German political and economic union and for free elections. The agreement itself is sound. It was not carried out because of Russian intransigence. Germany thus is still divided with roughly 50 million Germans staging an extraordinary economic and political reconstruction, having enjoyed very substantial American assistance in independent West Germany, and about 20 millions in East Germany suffering the effects of years of exploitation and occupation.

There are those who say that because of Russian intransigence and determination to outpace the West we should now yield and permit the reunification of Germany, on Russian terms. Our support of German reunification is so well known that a notion has developed that our eagerness to see the German people reunited and prosperous can be exploited to political ends contrary to our joint interest. It is suggested that, because vestiges of control remain especially in Berlin and East Germany, the four powers should place some new form of yoke on the German neck which would require an imposed neutralization on all of Germany. This, in effect, would prohibit the German people for the indefinite future from the exercise of their free will in the orientation of their foreign policy, prevent them from adherence to alliances such as the North Atlantic Treaty—or the shadow Warsaw Pact, for that matter—and, in effect, make Germany a sort of trusteeship territory. We re-

ject that thesis as unrealistic and contrary to Europe's long-term best interests.

Naturally there are risks and dangers in the present divided state of Germany. We believe there would be greater risks and dangers in the imposition of an unnatural solution. Some have seen a prime cause of East-West tensions in a divided Germany and a divided Berlin, where the West and the Soviet Union are in direct contact. Yet in 1945 we all regarded Berlin as a test-tube experiment to determine whether we could cooperate and work in harmony with the Soviet Union. During the Stalin period that proved unsuccessful, not because of the German question itself but because of Soviet policies. Can we hope that the Khrushchev era will provide a more enlightened attitude? The practical possibility of cooperation in the German question remains, and we would ask for nothing better than a demonstration of a willingness to relax tensions.

#### **Growth of European Cooperation**

While the Soviet Union has remained intransigent in its domination of the satellites and East Germany, there have been other and happier trends elsewhere in Europe. Nowhere is that more apparent than in Franco-German relations. There has been enlightened statesmanship on both sides of the Rhine which augurs well for the peace and future of Europe.

With the steady growth in Franco-German cooperation in the past decade or so, it also became increasingly apparent to European statesmen that relations between the Atlantic powers as a whole and the German Federal Republic had to be redefined if real European unity were to be achieved. To meet this growing feeling was the essential purpose of the Paris Agreements which were signed in October 1954 and went into effect May 1955.<sup>2</sup> The agreements revoked the occupation statutes and made West Germany a sovereign state with the right and duty of limited rearmament as a member of NATO. They also established as part of the system of Western defense alliances the Western European Union, which joins the United Kingdom, France, the German Federal Republic, Italy, and the Benelux nations within the NATO framework.

<sup>2</sup> For texts of the agreements, see *BULLETIN* of Nov. 15, 1954, p. 719.

The growth of European unity and cooperation has been most notable in the economic field. The Organization for European Economic Cooperation, originally established to assist in planning the use of Marshall plan funds, marks its tenth anniversary this year. Since the end of major United States economic aid to Europe, the member countries, 17 in all, have continued the Organization and broadened its functions as an instrument of economic cooperation in many fields.

The OEEC is currently sponsoring negotiations in Paris designed to associate the other 11 member countries with the new six-nation Common Market. This association would be in the form of a European free-trade area, extending from Great Britain eastward to Greece and Turkey. Such an arrangement would probably not provide the same degree of economic unification as the six-nation Common Market. Nevertheless, by freeing trade on a broad scale among 17 European nations, a free-trade area would extend on a wider basis economic benefits similar to those which are expected from the Common Market. These negotiations are difficult and complex. The United States sincerely hopes they will succeed to the great benefit of Europe and all trading nations.

Within the family of European nations, six—France, Western Germany, Italy, Belgium, Luxembourg, and the Netherlands—have sought to merge their destinies by building an integrated economic unit. They, moreover, see their efforts as leading to ever-increasing political unity. These six nations have established three important communities: first, the European Coal and Steel Community in 1952 and now, this year, the European Economic and Atomic Energy Communities. These communities are administered by common European institutions; it is significant, in relation to the aim of creating a united Europe, that they will be concerned increasingly with the broader interests of the group as a whole rather than the narrower interests of the individual member states.

When we consider the relatively short time since the end of World War II, we must acknowledge this concrete progress toward unity as a tremendous achievement. The six nations concerned, some 160,000,000 people in all, were on opposite sides during the war. All suffered greatly, spiritually and physically. But the bitter enmities



and the problems flowing from physical devastation have been surmounted.

### **Coal and Steel Community**

The first step which these nations took to achieve an integrated economic unity was, as I have said, in 1952, when after lengthy negotiations they brought into being the European Coal and Steel Community. The Community, originally proposed in May 1950 by Robert Schuman, created a single market for those two commodities which are basic to all modern industrial economies—coal and steel. This event also had special historic significance in joining Ruhr coal and Lorraine iron across a border which had been marked by conflict for generations. Moreover, the Community's system of institutions—an executive High Authority, a Council of Ministers, a Parliamentary Assembly, and a Court of Justice—set the pattern for further development of the six-nation integration movement.

The same nations have again moved forward in the most significant step to date to make European integration a reality. On January 1, 1958, they established the European Economic Community—more popularly known as the Common Market—which, within a period of 12 to 15 years, is to lead to the elimination of national trade barriers among the six nations. They have also established the European Atomic Energy Community, EURATOM, which provides the framework for common, large-scale development of nuclear energy for peaceful purposes.

EURATOM, which has the power to make treaties and agreements with other countries, will in general act in place of the member states in atomic-energy relations with outside countries. Why was nuclear energy singled out as a key to European unity? Europe faces rapidly growing fuel needs which it cannot meet fully by drawing on its own natural resources. In the absence of new energy sources these needs can be met only by continually expanding imports of conventional fuels with a consequent burden on Europe's balance of payments. The vast effort required for a successful atomic-energy program, especially in the field of nuclear power, seemed particularly appropriate for common action.

I think it no exaggeration to say that, if the European Atomic Energy and Economic Communities fulfill their promise, they will bring

about profound changes which will contribute to the strength and prosperity of Europe. The treaties under which the new communities are being established cover many areas of economic life in addition to trade. They provide, for example, for an investment bank with a capital of one billion dollars. They contain provisions designed to promote the growth of free competitive enterprise. They furnish a basis for coordinating financial and social policies. In short, while the treaties do not add up to full economic union, they go a considerable distance along the road to such action.

Perhaps the chief significance of these new developments lies not in the treaty provisions themselves but in the direction which they point, in the possibilities they offer for further growth of European unity. Those Europeans most intimately involved in the negotiations have clearly recognized that the treaties do not provide for every contingency nor are they perfect and complete in themselves. Unquestionably they will be refined and improved upon as time goes on.

### **Commercial and Political Risks**

A word about our Government's official attitude toward the new European unity. Successive administrations, the Congress, and the public have strongly supported this idea of unity, realizing, of course, that the Europeans themselves had to take the initiative. The United States can encourage but the responsibility and the leadership, of course, had to be European.

Now every major advance which presents opportunities also involves some risks. Clearly in the Common Market and EURATOM there must also be risks—risks for the six member countries and for other countries. There is no doubt in my mind that the opportunities more than justify any evident disadvantages. But let us look briefly at some of the possible risks. There are, first of all, commercial risks. There are also political risks. If a great new power should arise on the Continent, what role would it occupy in world affairs? Might it tend to become a "third force"? In the unhappy event that the cold war stays with us for many years, would it tend to become softer in its opposition to militant communism?

Let me first say a word about the commercial risks. It is not possible to make detailed judg-



ments concerning the influence of the Common Market on United States trade because the Community's external tariff has not yet been established and also because the treaty leaves many key decisions to institutions which are only now being organized. Nevertheless, there are a great many reasons why our Government believes that the Common Market can bring significant commercial advantages.

First of all, the more efficient production and expanded economic activity resulting from the Common Market should make it possible for Europe to increase its total trade with the United States and other countries. The United States has supported the treaty in the expectation that it will, in fact, result in increased trade. Further, the existence of a great single market free of internal restrictions will lead to opportunities for American capital and experience to assist Europe in building its economic future.

There is, I think, another point worth noting. The mere fact that so many vital decisions are left in the hands of common institutions is an encouraging omen for the future. For, as I have already said, these institutions will develop increasingly a sense of the broader interests of the Community as a whole. And it is obvious that Europe's best long-term interests lie in increased trade with the outside world.

The creation of a great single market will mean changed competitive conditions both for firms located within the market area and for firms which export to the area. But with a transition period of 12 to 15 years there should be ample time for necessary adjustments to be made. As you may know, the General Agreement on Tariffs and Trade, the GATT, constitutes an effective forum in which any problems resulting from implementation of the Common Market Treaty can be discussed and equitable solutions sought. The GATT, which includes besides the United Kingdom and the six Common Market countries most other major trading nations of the free world, has already begun an intensive study of the treaty.

But we must remember that the direction taken by the new Europe will also depend on the policies and actions of its trading partners, including the United States. If the Common Market de-

velops in an atmosphere of expanding world trade, if the United States continues to do its part in helping to create a liberal world trading system, then we can be confident that conditions will be favorable to an overall expansion of our trade with Europe. The Common Market countries, in their treaty, have expressed a willingness to undertake reciprocal tariff negotiations with other countries. The administration has requested a 5-year extension of the Trade Agreements Act to assure the Government's ability to undertake such negotiations. That request deserves the support of all those interested in strengthening our relations with Europe. The United States has consistently urged upon the Europeans the necessity for a liberal trade policy. It is up to us to show the way.

Now, finally, may I say a word about the political risks of European unity? In essence our foreign policy is to maintain and preserve the well-being and security of the United States and of the free world. To achieve our purpose we must have strong allies, and history shows that the best partner is a strong partner.

Free Europe contains some 300,000,000 of the most highly skilled people in the world. Together Free Europe and North America have a total industrial capacity that far outstrips that of the Soviet-Sino bloc. North America and Europe account for 70 percent of the world's total manufacturing capacity as opposed to 20 percent for the Soviet bloc. Europe accounts for about a third of total United States sales abroad and supplies us with roughly one-quarter of our total imports. Europe's strategic location and military facilities of all kinds are essential to our defense.

We have no fear of political risks from an integrated Europe. The facts which I have just mentioned demonstrate the material basis of our close association with Free Europe. But beyond material things our inheritance from the past, the similarities of our way of life, our cultural and governmental traditions, and our common hopes for the future should leave no doubt that Europe and the United States will go forward together. As strong partners we shall continue to work toward the common goal of peace and security for which we all strive.

## **Report of the Validation Board for German Dollar Bonds**

### **September 1, 1956–August 31, 1957**

*Following is the text of a report on the activities of the Validation Board for German Dollar Bonds, covering the period from September 1, 1956, through August 31, 1957, which was transmitted to Secretary Dulles on January 31, 1958, by Douglas W. Hartman, U.S. member of the Board.*

#### **FOREWORD**

This Annual Report, the Board's fourth, is in the nature of an interim report and will, therefore, be brief avoiding almost altogether repetition of information presented in its previous reports.

Reference to its previous reports may be necessary to grasp in full the significance of some of the facts and figures set out herein.<sup>1</sup> The printed report covering the year 1955–56 was the Board's most comprehensive.

A final report with respect to the ninety-two issues for which the registration period expires on August 31, 1958, will be prepared and published as soon after that date as possible. Every effort will be made to make that report fully comprehensive.

Validation Board for German Dollar Bonds  
**DOUGLAS W. HARTMAN**      **DR. WALTHER SKAUFY**  
*United States Member*      *German Member*  
August 31, 1957

#### **I. INTRODUCTION**

This report covers the fourth year of the Validation Board's operations, specifically the period from September 1, 1956, through August 31, 1957.

<sup>1</sup> For texts of two of the Board's previous reports, see BULLETINS of Jan. 24, 1955, p. 139, and Mar. 18, 1957, p. 447.

It marks the first year after the expiration of the period for regular registration, and consequently includes some rather interesting disclosures accompanying registrations filed with the Board during the year.

Under the terms of the Validation Law further registration was authorized for a two-year period following the termination of the so-called regular period, providing, however, that during that additional time holders of the bonds would be obliged to satisfy the Validation Board that their failure to register prior to August 31, 1956, was not due to their own gross negligence.

The Validation Board was created pursuant to the terms of an Agreement between the Federal Republic of Germany and the United States based upon the London Debt Agreement which was signed in London on February 27, 1953,<sup>2</sup> between the Federal Republic of Germany, the United States of America and seventeen other creditor nations. Under the general terms of the London Agreement, the Federal Republic agreed, among other things, to honor the German pre-war bonded debt. The negotiators for Germany pointed out, however, that a very substantial volume of the bonds involved had been repurchased by the German issuers, the Golddiskontbank and other German agencies prior to American entry into the war in December 1941, and that many of such repurchased bonds which had been deposited in the vaults of the Reichsbank in Berlin disappeared from these vaults after the occupation of the city by Soviet military forces. The German negotiators explained that should the Federal Republic be obliged to honor such looted securities on the

<sup>2</sup> Treaties and Other International Acts Series 2792. For an article on progress achieved under the London Agreement, see BULLETIN of Mar. 18, 1957, p. 444.

same basis as those still legitimately outstanding, it might cost the German economy as much as a half billion dollars.

Realizing that payment of such bonds would net the Soviets or other unlawful holders a tremendous amount of dollar exchange, and in order to avoid the consequent serious dilution of the interest of legitimate bondholders, it was agreed that an agency should be established to screen these bonds. Accordingly, a special Agreement between the United States and the Federal Republic of Germany concerning the validation of German dollar bonds in the United States was signed at Bonn on February 27, 1953,<sup>3</sup> and the Validation Board for German Dollar Bonds came into existence with the appointments of the United States and German Members during the latter part of April 1953.

## II. ORGANIZATION

The organization of the Board has changed somewhat since the issuance of the Third Annual Report. Mr. Douglas W. Hartman continues as the United States Member with his Deputy, Mr. William J. McCarthy, and Dr. Walther Skaupy continues as the German Member of the Board. Dr. Walter Clemens resigned from the Board in the Spring of 1957 and returned to Hamburg. His place has not been filled and accordingly the German Member has functioned since his departure without a Deputy. Mr. David A. Stretch continues to act as the Board's Chairman. His function is that of a tie breaker in cases where the American and German Members disagree. There were no disagreements between the American and German Members during the year under report.

The staff on the Board was reduced to nine, making a total personnel on the Validation Board as of August 31, 1957, of twelve individuals.

The Board continues to occupy the same premises it occupied during the period covered by its last report, namely, Suite 3601 on the 36th floor of 30 Broad Street.

The Board's depositaries continue as before, the General Depositary being The First National City Bank of New York and the Special Depositary being J. P. Morgan & Co., Incorporated.

<sup>3</sup> For text, see *ibid.*, Mar. 9, 1953, p. 376.

## III. REGISTRATION

### A. With the Validation Board in New York

Table No. 1 sets forth the month by month registrations since August 31, 1956, and includes the total registrations as of August 31, 1957. The table is broken down by number of registrations and total face amount in dollar volume. During

TABLE NO. 1

REGISTRATIONS WITH THE BOARD SEPTEMBER 1, 1956 THROUGH AUGUST 31, 1957 BROKEN DOWN BY MONTHS

|  | Total Registrations | Total Face Amount |
|--|---------------------|-------------------|
| September 1956.....  | 47                  | \$96, 800         |
| October.....   | 65                  | 158, 400          |
| November.....  | 61                  | 107, 900          |
| December.....  | 57                  | 87, 100           |
| January 1957.....  | 56                  | 66, 800           |
| February.....  | 55                  | 71, 700           |
| March.....   | 65                  | 110, 800          |
| April.....   | 78                  | 117, 400          |
| May.....   | 105                 | 122, 600          |
| June.....  | 76                  | 111, 500          |
| July.....  | 71                  | 87, 300           |
| August.....  | 70                  | 93, 800           |
|  | 806                 | 1, 232, 100       |
| Registrations September 1, 1953 through August 31, 1956..... | 40, 620             | 142, 459, 600     |
| Total.....   | 41, 426             | 143, 691, 700     |

this fourth year of registration it will be noted that 806 registrations were received representing an aggregate nominal value of \$1,232,100. At the expiration of the full 4-year period a total of 41,426 registrations had been received representing an aggregate nominal value of \$143,691,700.

Table No. 2 sets forth the total registrations with the Board and validation figures for the full four-year period, broken down by issues.

The Board will continue to receive registrations of the ninety-two issues thus far involved until August 31, 1958. Registrants are now, however, required to show that their failure to register the bond prior to August 31, 1956, was not due to their own gross negligence. (See Paragraph 1 of Article 21 of the Validation Law.)

On August 31, 1957, the Board had validated \$141,231,300 principal amount of the \$143,691,700 principal amount registered with it. It has, therefore, approved 98.3% of the face amount of all securities presented to it for validation.

The \$2,460,400 principal amount pending represents cases very recently registered, some cases where registrants have failed to respond to the Board's requests for additional information and challenged registrations.

TABLE NO. 2  
REGISTRATION AND VALIDATION OF GERMAN DOLLAR  
BONDS BY ISSUES

| Issue No. (American List) | No. of pieces registered as of 8/31/57 | Face amount registered as of 8/31/57 | Face amount of bonds validated as of 8/31/57 |
|---------------------------|--|--------------------------------------|--|
| 1.....                    | 31, 153                                | \$27, 906, 900                       | \$27, 812, 400                               |
| 2.....                    | 42, 686                                | 41, 943, 300                         | 41, 737, 400                                 |
| 3.....                    | 2, 663                                 | 2, 663, 000                          | 2, 629, 000                                  |
| 4.....                    | 2, 336                                 | 2, 336, 000                          | 2, 317, 000                                  |
| 5.....                    | 298                                    | 283, 000                             | 282, 000                                     |
| 6.....                    | 834                                    | 834, 000                             | 820, 000                                     |
| 7.....                    | 949                                    | 870, 000                             | 866, 000                                     |
| 8.....                    | 498                                    | 455, 500                             | 426, 500                                     |
| 9.....                    | 1, 779                                 | 1, 657, 000                          | 1, 649, 000                                  |
| 10.....                   | 1, 530                                 | 1, 530, 000                          | 1, 527, 000                                  |
| 11.....                   | 1, 157                                 | 1, 157, 000                          | 1, 153, 000                                  |
| 12.....                   | 1, 517                                 | 1, 517, 000                          | 1, 505, 000                                  |
| 13.....                   | 1, 401                                 | 1, 401, 000                          | 1, 388, 000                                  |
| 14.....                   | 885                                    | 786, 500                             | 764, 500                                     |
| 15.....                   | 1, 171                                 | 1, 071, 000                          | 1, 029, 000                                  |
| 16.....                   | 104                                    | 101, 500                             | 100, 500                                     |
| 17.....                   | 671                                    | 666, 000                             | 645, 000                                     |
| 18.....                   | 328                                    | 316, 000                             | 314, 000                                     |
| 19.....                   | 1, 413                                 | 1, 351, 500                          | 1, 302, 500                                  |
| 20.....                   | 933                                    | 861, 000                             | 858, 000                                     |
| 21 <sup>1</sup> .....     | 7                                      | 5, 000                               | 5, 000                                       |
| 22.....                   | 24, 413                                | 6, 798, 100                          | 6, 710, 100                                  |
| 23.....                   | 2, 231                                 | 581, 000                             | 575, 200                                     |
| 24.....                   | 231                                    | 231, 000                             | 212, 000                                     |
| 25.....                   | 381                                    | 381, 000                             | 379, 000                                     |
| 26.....                   | 197                                    | 197, 000                             | 191, 000                                     |
| 27.....                   | 521                                    | 501, 000                             | 499, 000                                     |
| 28.....                   | 269                                    | 269, 000                             | 265, 000                                     |
| 29.....                   | 217                                    | 198, 000                             | 198, 000                                     |
| 30.....                   | 877                                    | 827, 500                             | 826, 000                                     |
| 31.....                   | 823                                    | 703, 500                             | 699, 000                                     |
| 32.....                   | 411                                    | 411, 000                             | 409, 000                                     |
| 33.....                   | 1, 216                                 | 1, 080, 500                          | 1, 067, 000                                  |
| 34.....                   | 910                                    | 872, 500                             | 868, 000                                     |
| 35.....                   | 1, 551                                 | 1, 462, 500                          | 1, 458, 500                                  |
| 36.....                   | 1, 855                                 | 1, 762, 500                          | 1, 759, 000                                  |
| 37.....                   | 3, 533                                 | 3, 344, 000                          | 3, 325, 000                                  |
| 38.....                   | 924                                    | 871, 500                             | 862, 000                                     |
| 39.....                   | 1, 595                                 | 1, 595, 000                          | 1, 589, 000                                  |
| 40.....                   | 1, 164                                 | 1, 164, 000                          | 1, 161, 000                                  |
| 41.....                   | 181                                    | 181, 000                             | 180, 000                                     |
| 42.....                   | 664                                    | 630, 500                             | 518, 500                                     |
| 43.....                   | 380                                    | 362, 000                             | 357, 000                                     |
| 44.....                   | 2, 152                                 | 2, 057, 000                          | 2, 046, 000                                  |
| 45.....                   | 525                                    | 525, 000                             | 524, 000                                     |
| 46.....                   |  |                                      |  |
| 47.....                   | 97                                     | 95, 500                              | 90, 500                                      |
| 48.....                   | 457                                    | 423, 500                             | 422, 000                                     |
| 49.....                   | 276                                    | 258, 500                             | 254, 500                                     |
| 50.....                   | 266                                    | 247, 500                             | 247, 500                                     |
| 51.....                   | 143                                    | 137, 500                             | 135, 500                                     |
| 52.....                   | 732                                    | 695, 500                             | 692, 000                                     |
| 53.....                   | 1, 570                                 | 1, 570, 000                          | 1, 560, 000                                  |

<sup>1</sup> Issue 21 was collectively validated.

TABLE NO. 2—Continued

| Issue No. (American List) | No. of pieces registered as of 8/31/57 | Face amount registered as of 8/31/57 | Face amount of bonds validated as of 8/31/57 |
|---------------------------|--|--------------------------------------|--|
| 54.....                   | 228                                    | \$214, 500                           | \$213, 000                                   |
| 55.....                   | 110                                    | 108, 000                             | 107, 000                                     |
| 56.....                   | 221                                    | 207, 500                             | 207, 000                                     |
| 57.....                   | 95                                     | 95, 000                              | 94, 000                                      |
| 58.....                   | 104                                    | 93, 000                              | 93, 000                                      |
| 59.....                   | 741                                    | 741, 000                             | 722, 000                                     |
| 60.....                   | 163                                    | 155, 500                             | 150, 000                                     |
| 61.....                   | 117                                    | 110, 000                             | 110, 000                                     |
| 62.....                   | 282                                    | 278, 000                             | 139, 000                                     |
| 63.....                   | 1, 670                                 | 1, 609, 000                          | 1, 555, 500                                  |
| 64.....                   | 551                                    | 551, 000                             | 550, 000                                     |
| 65.....                   | 225                                    | 211, 500                             | 211, 500                                     |
| 66.....                   | 283                                    | 257, 500                             | 253, 000                                     |
| 67.....                   | 210                                    | 187, 000                             | 186, 500                                     |
| 68.....                   | 209                                    | 209, 000                             | 207, 000                                     |
| 69.....                   | 1, 617                                 | 1, 617, 000                          | 1, 597, 000                                  |
| 70.....                   | 582                                    | 547, 500                             | 545, 500                                     |
| 71.....                   | 896                                    | 856, 500                             | 853, 500                                     |
| 72.....                   | 724                                    | 669, 500                             | 668, 000                                     |
| 73.....                   | 1, 113                                 | 1, 057, 000                          | 1, 055, 000                                  |
| 74.....                   | 1, 290                                 | 1, 199, 500                          | 1, 197, 000                                  |
| 75.....                   | 1, 014                                 | 1, 014, 000                          | 1, 005, 000                                  |
| 76.....                   | 865                                    | 772, 000                             | 761, 500                                     |
| 77.....                   | 944                                    | 838, 000                             | 823, 000                                     |
| 78.....                   | 151                                    | 151, 000                             | 149, 000                                     |
| 79.....                   | 447                                    | 447, 000                             | 442, 000                                     |
| 80.....                   | 141                                    | 141, 000                             | 134, 000                                     |
| 81.....                   | 1, 083                                 | 1, 083, 000                          | 1, 075, 000                                  |
| 82.....                   | 571                                    | 228, 400                             | 227, 200                                     |
| 83.....                   | 166                                    | 160, 500                             | 160, 500                                     |
| 84.....                   | 354                                    | 330, 000                             | 326, 500                                     |
| 85.....                   | 266                                    | 266, 000                             | 265, 000                                     |
| 86.....                   | 1, 695                                 | 1, 695, 000                          | 1, 559, 000                                  |
| 87.....                   | 767                                    | 767, 000                             | 437, 000                                     |
| 88.....                   | 2, 532                                 | 2, 427, 000                          | 1, 835, 000                                  |
| 89.....                   | 274                                    | 245, 000                             | 241, 500                                     |
| 90.....                   | 164                                    | 148, 000                             | 146, 000                                     |
| 91.....                   | 1, 287                                 | 1, 232, 000                          | 1, 229, 000                                  |
| 92.....                   | 539                                    | 495, 500                             | 489, 500                                     |

#### B. Global

The following tables show registrations and validations of German dollar bonds with the Board in New York, with Examining Agencies and Courts in Germany and collective validations:

##### GLOBAL REGISTRATIONS

|  |                 |
|--|-----------------|
| Registered with the Board in New York.....   | \$143, 691, 700 |
| Registered with the Examining Agencies as pieces legitimately held within Germany..... | 16, 756, 200    |
| Applications for Declaratory Decrees.....  | 26, 627, 200    |
| Collective Validation.....   | 66, 778, 700    |
|  | \$253, 853, 800 |

##### GLOBAL VALIDATIONS

|   |                 |
|---|-----------------|
| Validated by the Board in New York.....         | \$141, 231, 300 |
| Validated by Examining Agencies and Courts..... | 14, 871, 600    |
| Declaratory Decrees Granted.....                | 23, 232, 800    |
| Collective Validation.....                      | 66, 778, 700    |

\$246, 114, 400



### 1. Registration With the Board

The Validation Board registration figure of \$143,691,700 includes \$949,200 principal amount of bonds withdrawn from registration with the Board and thereafter partially re-registered either with the Board in New York or with the Examining Agencies in Germany. Hence this amount must be deducted from the total volume of bonds accounted for in arriving at a current estimate of the volume of bonds legitimately outstanding which are still unaccounted for.

### 2. Declaratory Decrees

At August 31, 1956, only \$14,230,000 principal amount of the \$26,415,300 represented by applications for declaratory decrees had been awarded decrees. One year later the figures in the tables above show declaratory decrees awarded in the principal amount of \$23,232,800 or 87% of the volume of applications. The difference of \$3,394,400 represents applications for declaratory decrees still pending. The figure is believed to include a very substantial volume of duplications, and, of course, cases which will be rejected. We estimate that about \$2,000,000 principal amount of these applications fall into such categories and should be deducted from the total of bonds globally registered—in other words accounted for.

It is known also that many declaratory decrees were awarded covering bonds which showed up later in registrations with the Examining Agencies in Germany and the Board in New York. Estimating such duplications at \$1,000,000 principal amount the total volume of bonds accounted for must be further reduced in that amount.

It is interesting to note that in making these awards the German Courts granted decrees in the amount of \$499,500 to individuals who were unable to furnish the serial numbers of the lost bonds.

ADJUSTED TABLE OF GLOBAL REGISTRATIONS

|  |                 |                 |
|--|-----------------|-----------------|
| Registered with the Board<br>in N. Y.-----             | \$143, 691, 700 |                 |
| Less Withdrawals-----                                  | 949, 200        |                 |
|  |                 | \$142, 742, 500 |
| Registered with Examining<br>Agencies-----             |                 | 16, 756, 200    |
| Declaratory Decrees-----                               | 26, 627, 200    |                 |
| Less Duplications and Rejec-<br>tions (Estimated)----- | 3, 000, 000     |                 |
|  |                 | 23, 627, 200    |
| Collective Validation-----                             |                 | 66, 778, 700    |
|  |                 | \$249, 904, 600 |

The revised estimate of bonds of the ninety-two issues involved in the validation procedure recently received by the Board from the Amt fuer Wertpapierbereinigung in Bad Homburg shows a total of \$267,021,300 legitimately outstanding. Using this figure against the adjusted global total of bonds which have been registered, i. e. \$249,904,600, we arrive at \$17,116,700 as the total amount still unaccounted for.

### 3. Collective Validation

Bonds validated by the German Ministry of Finance in conjunction with the Ministry of Justice under the collective validation procedure were stated in our 1956 report as \$71,801,900. The Amt fuer Wertpapierbereinigung in Bad Homburg has painstakingly checked serial numbers of bonds presented for collective validation against the lists of bonds actually validated through the individual procedure and has found duplications to the extent of \$4,926,700, which explains the use of the figure \$66,778,700 in the above tables.

### C. The Large Registrations

Only two registrations covering more than \$25,000 principal amount were received during the year, one in the amount of \$51,000 by a trust company and the other in the amount of \$26,000 by a foreign bank.

### D. Gross Negligence

All registrants filing after August 31, 1956, have been required to state why they failed to register before that date and to establish that in failing to do so they were not grossly negligent.

The explanations furnished by these late registrants are extremely illuminating and undoubtedly show that many more of the bonds as yet unaccounted for are held by persons who have forgotten them or are unaware that they are now valuable securities.

In analyzing the 806 registrations received since August 31, 1956, the Board has observed that in many of these cases some chance remark reminded the holders of the existence of the bond and prompted inquiry. Approximately 100 registrations came to the Board after the American Member appeared on Dave Garroway's morning T.V. Show "Today" on N.B.C. A flurry of registrations also followed newspaper stories concerning a Senate investigation of one of the Board's registrants.

It has come to the Board's attention with considerable surprise that a number of the late registrations have come from banks and trust companies who professed not to have heard anything about the London Debt Agreements or the necessity for validation. Extensive efforts have been made since 1953 to inform the public about the agreements negotiated between the Federal Republic of Germany and the United States concerning the necessity for validating these bonds. These notifications took the form principally of advertisements in about thirty-five large American daily newspapers, a number of financial magazines and periodicals of general circulation. Each time additional publicity is given to the German dollar bond revaluation, additional bonds are registered with the Board in New York.

The totals accounted for by registrations with the Board and with the appropriate authorities within Germany indicate that there are between \$15,000,000 and \$20,000,000 principal amount of these bonds still legitimately outstanding.

The machinery for validating these securities by the Validation Board will not be available to holders of such bonds which are not registered before August 31, 1958.

#### **IV. DETACHED COUPONS**

The 1956 Annual Report outlined in considerable detail the manner in which the Board proposed to receive registrations for the validation of individual coupons detached from their primary instruments.

Registration began under the Twelfth Implementing Ordinance to the Validation Law on September 1, 1956. As of August 31, 1957, after a full year of registration of such coupons, the Board has received from 133 different registrants a total of 506 registrations with a principal value of \$306,256.61 and the Board has validated 385 registrations representing a principal value of \$217,713.22.

Prior to the promulgation by the Federal Republic of Germany of the Twelfth Implementing Ordinance, the Board had made a considerable effort to ascertain the volume of such detached coupons held in the United States. The result of that effort was the receipt of information from only thirty-three persons indicating that they

held a total of \$191,753.50 of these coupons. It will be observed that while the dollar volume of the coupons reported was quite substantial in comparison to actual registrations during the past year, the number of persons who reported was small indeed.

The examination and validation of these detached coupons involved an enormous amount of detailed work by the Members of the Board and the office staff. Since the procedure adopted for validating detached coupons did not include actual presentation of the coupons themselves, there was no need to employ the services of the depositaries for the handling and safekeeping of valuable papers. Accordingly, all the detail of checking more than ten thousand serial numbers against the lists of already validated bonds, and the reports from the Examining Agencies in Germany, and preparing certificates setting forth the serial numbers of the primary instruments and the individual numbers of the coupons validated, fell upon the Board and its staff. Coupon registrations continue to be made, although now usually in small amounts per registration.

#### **V. THE CHALLENGED REGISTRATIONS<sup>4</sup>**

##### **A. General**

Of the total of \$143,691,700 principal amount of German dollar bonds registered with the Board under 41,426 separate registrations, fifty-five registrations have been challenged. These challenged cases represent bonds having a principal value of \$1,320,000. In all of these cases objections of the issuers have been filed with the Board by the Examining Agencies. Such objections are accompanied by evidence tending to show that the bonds were within Germany on January 1, 1945, and that they were unlawfully removed from the vaults in which they were deposited.

In twenty-one cases representing twenty-two registrations with a total principal value of

<sup>4</sup>The challenged registrations consist only of those cases in which registrants have thus far not been able to refute opposing evidence. Many registrations have been questioned initially either because of opposing evidence or deficiencies in the evidence submitted. However, in thousands of cases where better evidence was requested, the registrants were able to meet the requirements for validation and their bonds were validated. [Footnote in original.]

\$315,000, the Board has rendered formal decisions denying validation.

In seventeen cases involving bonds totalling \$334,000 principal value, the registrants, after receiving the Board's letter outlining the facts and evidence opposing validation, have withdrawn their registrations.

There are still pending before the Board sixteen cases involving bonds totalling \$671,000 principal value. The registrants in these cases have been or will be notified that objections to validation have been filed with the Board by the Examining Agencies and invited to rebut the objections and to supplement the evidence submitted with their registrations in support of their claims that the bonds were, in fact, outside of Germany on January 1, 1945.

In three of the pending cases the Board has given formal notice of its intention to deny validation, informing the registrant that unless further evidence supporting the registrant's case is received within 90 days, the Board would proceed to render its decision denying validation.

#### **B. The Board's Decisions**

The Board has rendered a total of twenty-one invalidating decisions covering twenty-two separate registrations in the total principal value of \$315,000. Since September 1, 1956, the Board has rendered fifteen decisions denying validation to bonds in the total principal value of \$41,000. A summary of these decisions follows:

The debentures in Decision No. 7 were registered with the Board under a claim that they were located in Tangier, Morocco, on January 1, 1945.

The issuer reported to the Board that these debentures had been reacquired by it in 1934, and that they comprised part of a payment to the Conversion Office for German Foreign Debts in Berlin covering the 1939 redemption period; that the debentures were subsequently transferred within the Reichsbank in Berlin from the commercial account of the Conversion Office into a redemption account where they remained until May 1945, and that the transfer had been reported to the trustee of the issue, the Irving Trust Company in New York, by a letter dated March 20, 1941. The Irving Trust Company produced this letter with its accompanying list of 600 serial numbers, certifying that it had been received by that bank in

New York City on April 29, 1941. The serial numbers of the two debentures covered by the registration in question were included in that list, which also contained the serial numbers of the debentures invalidated by the Board's Decisions Nos. 4, 5 and 6 described in the last annual report. The Board's Decision No. 7 denying validation was issued on January 25, 1957.

In Decisions Nos. 8 through 17, inclusive, as well as Decision No. 19 the registrants who had submitted North German Lloyd 6% bonds stated that their bonds were located in various places on January 1, 1945, including Vancouver, Montreal, Toronto, and New Brunswick, Canada; Rochester, New York, and Boston, Mass.

All of these bonds bore a stamp indicating that they had been deposited with the Chemical Bank and Trust Company, now the Chemical Corn Exchange Bank, in New York City pursuant to a Plan of Readjustment, and their numbers appear upon a bond number list submitted by that bank to the issuer in 1934. The evidence submitted by the issuer tends to show that after the plan of readjustment the bonds were retained by the issuer in its own vaults in the basement of the North German Lloyd building in Bremen, Germany, and that the bonds disappeared after the occupation of Bremen in April 1945.

The Board's Decision No. 8 was dated March 15, 1957. Decisions Nos. 9 through 13, inclusive, were dated March 25, 1957. Decisions Nos. 14 through 17, inclusive, were dated March 29, 1957; and Decision No. 19 was dated July 12, 1957.

In Decisions Nos. 18, 20 and 21 the registrants of the Rudolph Karstadt 6% bonds stated that they were located in Berkeley, California, Jerusalem, Palestine, and Paris, France, respectively, on January 1, 1945.

All of these bonds bore two stamps. Under the terms of a Deposit Agreement dated December 1, 1933, bondholders who submitted their bonds to the Empire Trust Company in New York or the Deutsche Kreditsicherung in Berlin, the designated depositories, received in exchange certificates of deposit. The intention of the Deposit Agreement was that only certificates of deposit representing such deposited bonds might legally be in circulation. The deposited bonds were stamped to indicate their exchange and a partial repayment. Subsequently, a second partial repayment was authorized and the outstanding certifi-

| Decision No. | Registrant   | Securities  | Nominal Value |
|--------------|--|---|---------------|
| 7 . . . .    | Mr. Brian Adrian Marsh . . . . .<br>Tangier, Morocco         | United Steel Works . . . . .<br>6½% Series A Debentures, due 1947 | \$2, 000      |
| 8 . . . .    | Mrs. Janet Gordon Aspinall . . . . .<br>Vancouver, Canada    | North German Lloyd . . . . .<br>6% Gold Bond, due 1947            | 1, 000        |
| 9 . . . .    | Banque Canadienne Nationale . . . . .<br>Montreal, Canada    | North German Lloyd . . . . .<br>6% Gold Bond, due 1947            | 1, 000        |
| 10 . . . .   | Mr. Alfred Barkin . . . . .<br>Rochester, New York           | North German Lloyd . . . . .<br>6% Gold Bonds, due 1947           | 3, 000        |
| 11 . . . .   | Mr. Percy A. Burgwin . . . . .<br>Long Beach, California     | North German Lloyd . . . . .<br>6% Gold Bond, due 1947            | 1, 000        |
| 12 . . . .   | Mr. R. B. Forbes . . . . .<br>New Brunswick, Canada          | North German Lloyd . . . . .<br>6% Gold Bond, due 1947            | 1, 000        |
| 13 . . . .   | Mr. Murray Jeffers . . . . .<br>Shelburne, Ontario, Canada   | North German Lloyd . . . . .<br>6% Gold Bonds, due 1947           | 4, 000        |
| 14 . . . .   | Mr. Bernard Meketansky . . . . .<br>Whitestone, New York     | North German Lloyd . . . . .<br>6% Gold Bonds, due 1947           | 18, 000       |
| 15 . . . .   | Mr. L. F. Welch . . . . .<br>New York, N. Y.                 | North German Lloyd . . . . .<br>6% Gold Bond, due 1947            | 1, 000        |
| 16 . . . .   | Mr. W. Denis Whitaker . . . . .<br>Hamilton, Ontario, Canada | North German Lloyd . . . . .<br>6% Gold Bonds, due 1947           | 4, 000        |
| 17 . . . .   | Widemann & Co. . . . .<br>Zurich, Switzerland                | North German Lloyd . . . . .<br>6% Gold Bond, due 1947            | 1, 000        |
| 18 . . . .   | Mr. Samuel Buchman . . . . .<br>Philadelphia, Pennsylvania   | Rudolph Karstadt, Inc. . . . .<br>6% Bond due 1943                | 1, 000        |
| 19 . . . .   | Mr. Stanley J. Sitek . . . . .<br>Fullerton, Pennsylvania    | North German Lloyd . . . . .<br>6% Gold Bond, due 1947            | 1, 000        |
| 20 . . . .   | Michelis Bank Ltd. . . . .<br>Zurich, Switzerland            | Rudolph Karstadt, Inc. . . . .<br>6% Bond due 1943                | 1, 000        |
| 21 . . . .   | Dr. Ignace Ettinger . . . . .<br>New York, N. Y.             | Rudolph Karstadt, Inc. . . . .<br>6% Bond due 1943                | 1, 000        |

cates of deposit and the corresponding deposited bonds were stamped to record this second payment. Evidence indicated that the bonds in question were submitted to the Deutsche Kreditsicherung in Berlin and disappeared from the vaults in the basement of the Deutsche Kreditsicherung offices in Berlin after the occupation of that city by Soviet forces in May 1945.

Decisions Nos. 18, 20 and 21 were dated May 31, July 15, and July 26, 1957, respectively.

### C. The Withdrawn Registrations

Since September 1, 1956, two registrants have withdrawn their registrations bringing the total withdrawn registrations to fourteen cases covering seventeen registrations.

The first withdrawal covered four North German Lloyd 6% Gold Bonds, due 1947, which were claimed to be located in Arundel, Sussex, England, on January 1, 1945. These bonds bore a stamp which indicated that they had been deposited pursuant to a Plan of Readjustment, and their numbers also appear upon the bond number list submitted by the Chemical Bank and Trust Company to the issuer in 1934. Evidence submitted by the issuer indicated that these bonds were held in its

own vaults in the basement of the North German Lloyd building in Bremen, Germany, on January 1, 1945. When the registrant was informed of these facts, the registration was withdrawn.

The second withdrawal covered one United Steel Works 6½% Series A Debenture, due 1947, under a claim that it was located in Jerusalem, Palestine, on January 1, 1945. The serial number of the registered debenture also appears on the list of 600 debentures of this issue which accompanied the letter of the Conversion Office to the Irving Trust Company, dated March 20, 1941. This is the same list which includes the debentures invalidated by the Board's Decision No. 7 described in this report. When the registrant was informed of these facts, the registration was withdrawn.

### D. The Pending Cases

The Board has sixteen cases before it in each of which it has evidence tending to show that the bonds were within Germany on January 1, 1945, and disappeared from the vaults of the German banks in which they were deposited on that date, contrary to the claims of the registrants. In three of these cases the Board has already sent its 90-



day letter advising the registrants of the facts and evidence opposing validation. If no rebuttal is offered and the cases are not withdrawn within this 90-day period, the Board may proceed to the preparation of its decisions and opinions. In the other cases the Board is awaiting the presentation of additional evidence either from the registrant or the issuer.

#### E. Litigation

The litigation which was instituted by Mr. Richard H. Abrey against the Board in connection with its Decision No. 4 described in the Board's last annual report remains pending before the United States District Court. The case involves \$245,000 in face amount United Steel Works Corporation 6½% Series A Debentures which Mr. Abrey contends he acquired in Warsaw, Poland, in June 1940, and brought to the United States in November 1940. The Board concluded on the basis of the evidence that the bonds were located in the vaults of the Reichsbank in Berlin on January 1, 1945, and rendered its invalidating decision on March 26, 1956.

After argument on motions, District Court Judge William B. Herlands decided on March 26, 1957, that the applicable statutes provide for a trial *de novo* rather than a judicial review of the Board's decision. In making this decision the Court stated:

Were the function of the Court herein only to determine whether the Validation Board's decision is supported by the substantial evidence considering the record as a whole (cites cases), the Court would unhesitatingly determine that question in favor of the Board and dismiss this action. But the heart of this case is the issue concerning the scope of the Court's review of the Board's decision. If the Court concludes that the plaintiff is entitled to an independent, full-scale judicial trial, it is immaterial that the Validation Board's decision was based upon the substantial evidence before it. This is the issue raised, in one form or another, by the motions now pending before the Court.

Applications for writs of *mandamus* or prohibition by the issuer and the Board were denied by the United States Court of Appeals on May 16, 1957. Certain pre-trial examinations of witnesses and parties have also been held but no further action has been taken.

The Abrey case is the only case in which a registrant has appealed to the Courts from an invalidating decision of the Board.

March 10, 1958

#### VI. CONCLUSION

As the final deadline, August 31, 1958, for registration of bonds approaches, it is to be anticipated that quite an increase in volume of registrations will occur. Much of the Board's attention prior to this date will be directed toward devising ways and means of arousing the holders of the bonds not yet registered to the fact that they hold securities of value which must be submitted for validation before September 1, 1958. All such registrations will involve a determination of whether or not gross negligence exists by reason of the registration after August 31, 1956.

Consideration of the challenged registrations continues to represent a large part of the Board Members' activities. The bonds involved in the Board's invalidating decisions will upon expiration of all possibility of appeal be ordered perforated; presented to the trustees of the issues for reduction on their records; and then returned to the registrants, all of which requires very much detailed attention.

The independent validation of detached coupons continues to be a time consuming responsibility.

The demands upon the Board by reason of existing and possible new litigation cannot be forecast, but could become very burdensome.

#### U.S. and India Amend Surplus Agricultural Commodities Agreement

*Following is an exchange of notes amending the Surplus Agricultural Commodities Agreement between the United States and India<sup>1</sup> signed at New Delhi on August 29, 1956.*

#### U.S. Note

FEBRUARY 13, 1958

EXCELLENCY: I have the honor to propose that Paragraph 3 of Article I of the Surplus Agricultural Commodities Agreement between the Governments of the United States and of India signed at New Delhi on August 29, 1956, including the Annex thereto, be amended by changing the

<sup>1</sup> Treaties and Other International Acts Series 3661.

amount of \$70.0 million provided for cotton to \$42.0 million; the amount of \$200.0 million provided for wheat to \$225.0 million; the amount of \$54.2 million provided for ocean transportation to \$59.5 million; and the total amount of \$360.1 million to \$362.4 million.

I also have the honor to propose that Article II of said Agreement be amended by changing Paragraph 1, (i) to read as follows: "For United States expenditures under sub-sections (a), (b), (d), (f), (h), and (i) of Section 104 of the Act, as amended, the Indian rupee equivalent of \$73.1 million."; and that a new Paragraph 1, (iv) be added to read as follows: "To provide assistance of the types provided for under Section 104 (j) of the Act, as amended, an amount not to exceed the rupee equivalent of \$1.2 million."

The remaining provision of said Agreement and the Annex thereto shall remain unchanged.

Accordingly, I have the honor to propose that this Note and Your Excellency's reply concurring therein shall constitute an Agreement between the two Governments on this subject, the Agreement to enter into force on the date of Your Excellency's Note in reply.

Accept, Excellency, the renewed assurances of my high consideration.

For the Secretary of State:

THOMAS C. MANN

His Excellency

GAGANVIHARI LALLUBHAI MEHTA,  
*Ambassador of India.*

#### Indian Note

FEBRUARY 13, 1958

MR. SECRETARY, I have the honour to refer to your note of date which reads as follows:—

[At this point the Indian note repeats the preceding U.S. note.]

It is my privilege to inform you that the Government of India have authorised me to concur in the proposals contained in this note.

Please accept, Mr. Secretary, the assurances of my highest consideration.

G. L. MEHTA  
*Ambassador of India*

MR. JOHN FOSTER DULLES,  
*Secretary of State,  
Department of State,  
Washington, D. C.*

#### THE CONGRESS

### Question of Increasing the Eximbank's Lending Authority

*Statement by Samuel C. Waugh  
President, Export-Import Bank of Washington<sup>1</sup>*

On behalf of the Board of Directors of the Export-Import Bank I appear before your committee in support of the proposal to increase the bank's lending authority by \$2 billion. It has been my privilege to serve as President and Chairman of the Board of Directors of the bank since October 1, 1955. Prior to my present appointment I represented the Department of State as an ex officio member of the Board; so my knowledge of the bank's operations dates approximately from my original confirmation by the Senate nearly 5 years ago. Each director is conscious of the responsibility in representing an institution which next week will have served for 24 years as the major foreign-lending arm of the United States Government.

This sense of responsibility is greater because of our conviction that, to the great mutual advantage of our citizens and those of friendly countries, the bank has served United States private enterprise and our friends abroad with honor and mutual benefit. The proposal under consideration by the committee is necessary for proper continuation of the bank's present policies and activities.

Most members of your committee will recall the 1954 hearings, which again considered our position and then reaffirmed the position of the bank as an independent agency under bipartisan management. It is a pleasure to report to you that these injunctions of the Congress have been upheld, in the spirit as well as the letter. You may be assured that we will continue to be faithful to the spirit of independent, bipartisan service to the international lending needs of the United States.

<sup>1</sup>Made before the Senate Committee on Banking and Currency on Feb. 3.

The primary need for the Export-Import Bank is to consider financing abroad which the private capital market in the United States will not undertake. The statute says that the bank "should supplement and encourage and not compete with private capital." Over many years of international economic dislocation, of wars and their aftermath, private financing has not been able to meet all the world's needs for trade and investment.

This is partly true for medium-term financing and particularly true for longer-term needs. This is also partly true for the less developed areas as a whole and particularly true for some countries with great potential but equally great present-day problems and needs. And it is always true for emergency financial needs of great magnitude.

#### **Stimulating Private Capital and Enterprise**

The Export-Import Bank's objective is to supplement the facilities of the private capital market. But we do much more to supplement private finance and private enterprise than merely by refraining negatively from competition. In a positive, fruitful way, and to an impressive extent, we supplement and encourage private capital and enterprise. Our positive assistance to private capital and enterprise takes many forms, such as the following:

We make development loans to private companies in foreign countries. We act, in effect, as partner. We make loans to supplement private investment when necessary to assure that private funds will venture into the transaction or investment. We have always been especially interested in stimulating investment in private activities abroad, new ones as well as old ones, American-owned as well as foreign-owned. For example, we have conducted operations in association with such representative firms as the American Smelting and Refining Company, American and Foreign Power, Bethlehem Steel, Firestone Rubber, Goodrich Rubber, Lone Star Cement Company, Republic Steel, and the Utah Construction Company. This last point must be stressed because of the impression in some otherwise well-informed circles that the Export-Import Bank does not lend to American business enterprises for their overseas operations.

Our development loans to other governments or official institutions, which cover generally their

purchases in the United States, definitely have the effect, directly or indirectly, of assisting the healthy growth in other countries of private industry and trade, foreign as well as American.

Many of our loans to foreign public institutions have been directly for relending to private enterprises. There are many examples of this, such as loans we have made to Mexico, Israel, Italy, and the Philippines.

Many development loans have been to construct basic public facilities for which private capital was not available and without which further growth of the private economy would be difficult, if not impossible. Examples in Asia and Latin America are port facilities in Turkey, railroads and highways in Iran, power in the Philippines, dams in Mexico and Brazil, the Inter-American Highway in Central America, railway and port improvements in Brazil. Still other loans have been made to assist the restoration of customary financial relations and to permit the resumption of normal private trade and finance.

The bank also makes what we call exporter credits at the request of United States equipment manufacturers. These credits assist our United States firms to complete sales which they cannot finance entirely through their own resources. In this manner the bank is able to be of assistance to some of the smaller exporters. This past year we had one credit as modest as \$550 to assist in the financing of the sale of a disk plow.

There are other forms of cooperation between the bank and the private capital market. We participate jointly with private banks or insurance companies in making loans to particular borrowers. Commercial banks disburse funds for us under arrangements whereby we guarantee to take them out under certain conditions. Notable along this line are the arrangements for substantial yearly loans to finance cotton exports under which normal marketing and banking channels are employed to the utmost.

We sell loans from our portfolio to banks, thereby freeing our resources. We are constantly working with private banks and this past year have entered into preliminary negotiations with certain insurance companies. Contrary to the opinion of some uninformed, our portfolio is very definitely for sale. We are grateful for the continued assistance and support of United States private banks.

It should be emphasized that Export-Import Bank loans, with very minor exceptions, support our private-enterprise economy here at home in the most direct sense in that our loans finance the output of our own firms, our own farms and factories. It is unlikely that there is a single town or county of any size in the United States whose production and payrolls are not at some time directly aided by exports of manufactured goods or farm products financed through the Export-Import Bank. Although they may not even have been aware of our assistance, some of our largest heavy-equipment loans reach out to many hundreds of firms throughout the United States.

Let me give you a few figures and comments now, to substantiate the nature and scope of the bank's operations. During the fiscal year 1957, the bank authorized 182 new credits in 36 countries totaling \$1,066 million. Of these credits, 155 were made to private borrowers for a total of \$233 million. Twenty-seven loans, totaling \$833 million, were made to governments or government agencies. As for the total investment made possible by Export-Import Bank loans, the current period confirms past studies in showing that our development credits work in partnership with investment by others totaling about 150 percent more than the amount of our loans.

#### **Serving the Community of the Free Nations**

It is appropriate, first, to point out that every bank, consciously or not, is more than just an institution to make money for its stockholders. Every bank, in greater or lesser degree, fulfills a function in serving the needs of its community. When a bank succeeds fully, it succeeds through serving its borrowers by appraising the risks of enterprises and the capacity of their managers and through advice and, if you will, technical assistance to enterprisers.

The Export-Import Bank has tried in this manner to be a sound bank, serving always the interests of its stockholders—the taxpayers of the United States—but also those of the community it serves, which is simply the community of free nations. As a Government foreign-lending institution, our responsibility is particularly great and our awareness highly sensitive regarding the obligation to protect and serve both the interests of our borrowers and those of the United States.

When we make a loan in a foreign country, the economic interest of that country is considered along with that of the United States. That is not sheer altruism but itself sound business. We are at all times concerned that the operation itself and the overall economy of the country will be able to repay the loan. But particularly, as a Government institution dealing with foreign enterprises or their governments, we do more than to limit our decisions to the creditworthiness of the borrower. Beyond this, we must appraise the effect of the loan on the whole delicate complex of our economic relations with our foreign friends.

To this end the bank must concern itself with the entire present and prospective position of the other country's economy. We must be informed about the other country's investment potentials and proposals and with the policies chosen to stimulate orderly investment in all fields, private and public. We never encourage people to borrow beyond their ability to pay. We do not want to create future problems for the United States by assisting even the most eager underdeveloped countries to assume unwise heavy burdens of dollar debts. As a Government institution we must also be particularly careful to avoid any element of unwarrantable interference in the affairs of our sovereign friends.

To do this job properly we try to earn the good will and confidence of our borrowers and of official circles in foreign countries. We attempt to earn confidence through understanding of their problems and points of view, through consultation and advice, and ultimately through participating with them in achieving real results in the development of their countries.

All of our basic work is done in Washington, and this includes extensive consultation with applicants or their technical representatives. However, we do a great deal of our work on the spot in the field. During the last fiscal year our directors and staff members visited 26 countries to make field studies of pending applications or to inspect loans already made. Many of these trips involved teams of two or more men, and some countries were visited more than once.

To establish confidence is a joint effort, and we at all times endeavor to maintain close and friendly cooperative relations with United States



industry. Through our association over many years, we enjoy the assistance of the best brains in American industry and banking on technical, financial, and management problems.

The importance of our development banking is, of course, greatest for the fast-growing, ambitious, less developed areas of the world. These countries are eager for assistance in improving and diversifying their economies in order to increase their productivity and their national income. Although our largest single loans have been to Europe—for immediate postwar needs and to meet the Suez crisis—about 60 percent of our outstanding authorizations are for countries in Africa, Asia, and Latin America. While the bank is best known for our work in Latin America, where we now have \$2.25 billion in loans authorized, we have nearly \$1 billion authorized to countries in Asia.

#### **Latin American Loans**

Our Latin American loans are probably the clearest example of the coordination previously mentioned. This is because of our long and intimate association with Latin American governments, private investors, and traders, and with our own traders, investors, and bankers concerned with that area. It takes time for many loans to give full evidence of their worth to a country. Their value may start immediately after a factory door is opened or a switch is thrown. It becomes more evident as men are employed, costs lowered, products are sold, income earned, and profits made and reinvested. But that is only part of the story.

The truly fundamental results occur as more and more people are trained, as managerial and technical skills are acquired and made available to other parts of the economy, as standards of performance are raised, as new firms are started based on these greater skills and higher standards, in short, as the market economy broadens and deepens. Socially, a middle class grows whose ways of thinking are more and more like our own, a development that assists countries to be more skillful, independent members of the free world. And there is ground to believe that these social and economic developments enable and encourage the people of the country to select and support leaders who favor stable and progressive economic and political policies.

That our activities loom so much greater for Latin America is not simply an accident. Our large-scale operations in that area are the natural result of our close relations with our neighbors of this hemisphere. Our large European loans in 1945-46 were to finance the reconstruction needs of that continent immediately at the end of the war. Our postwar loans to several Asian countries, on the other hand, reflect new opportunities and needs for investment which were in our mutual interest. Wherever the changing circumstances of world affairs and economic development have enabled loans to be made, EXIM-BANK activity has increased. If Congress increases our lending authority, we believe this will hold equally true for the future.

#### **Summary of Bank's Operations**

The bank's semiannual report will be filed as soon as it is received from the Government Printer.<sup>2</sup> We would like at this time to summarize briefly our financial operations.

During its 24 years' history the bank has authorized loans totaling \$9 billion. About \$1.6 billion was not used because of cancellations or because we were able to have the commitments taken over by private lenders, and in certain instances sales were made for cash after loan authorizations had been granted. The bank has disbursed about \$6 billion, and almost exactly \$3 billion of this has been repaid.

We now have on our books loans and authorizations in 59 countries totaling \$4.4 billion. Since our legislation permits us to lend a maximum of \$5 billion, we have remaining an unused lending authority today of approximately \$500 million.

Our lending activity during the last 18 months has been at a peak. Loans authorized last fiscal year totaled \$1,066,000,000. During the first 6 months of this fiscal year we authorized \$468 million in new loans.

On the other hand, the bank will have repayments coming in, as well as some cancellations and direct participations by private capital, at an estimated annual rate of about \$500 million. But, with new operations on the present considerably larger scale, it would only be a few months before

<sup>2</sup> For a summary of the bank's operations for the period July 1 through Dec. 31, 1957, see BULLETIN of Feb. 17, 1958, p. 273.

the bank would be required to reduce its lending drastically, if not given increased lending authority.

This is true immediately if we are to maintain one of our most basic policies. In the opinion of the directors, the bank should always retain an uncommitted lending authority of several hundred million dollars in order to have resources to meet unexpected emergencies that may confront the United States in the international field.

For these reasons the President has proposed that the bank's authority to lend be increased from \$5 billion to \$7 billion and that our power to borrow from the Treasury be correspondingly increased. As you know, our activities have been conducted by means of borrowing our funds from the Treasury and then, in effect, relending these funds.

The bank's gross earnings since it was established total \$867 million. From these earnings we have paid all of our administrative expenses and met some small losses. Congress does not appropriate new funds for the bank's expenses, for the bank has always been self-supporting. The procedure has been for Congress to approve a budget for the bank, which then meets all expenses and charges from its own earnings. Our annual administrative expenses for the past 24 years average 1.7 percent of our annual income.

From earnings, payments have been made to the Treasury of more than \$200 million in interest on funds borrowed, and in addition \$173 million has been paid in dividends on our capital stock, all of which is held by the Treasury. To this extent we make a contribution to the Treasury's operations.

After paying, from earnings, all expenses, interest on borrowed money, and dividends on capital stock, there remain accumulated reserves of \$475 million. These reserves now equal about 10 percent of our authorized loans, or 15 percent of our outstanding loan funds paid out. The bank's primary objective has not been to make money for its stockholders, but it is good banking and business judgment that adequate reserves be maintained in proportion to loans outstanding.

The officers and staff of the bank have an average of 26 years of experience, either in the bank it-

self or in work which was direct background for their present assignments.

The bank has been made available for other services than the administration of our own operations. The bank also acts as administrative agent for certain loans of the United States Government, the Department of Defense and the Office of Defense Mobilization, as well as loans for the International Cooperation Administration and its predecessor agencies. These loans amount to an additional \$3.3 billion for a combined responsibility by the bank at the present time of \$7.8 billion. An additional activity was assumed last summer under the so-called Cooley amendment to the Agricultural Surplus Disposal Act. We are now beginning to make certain types of loans to American and foreign private businessmen out of foreign currencies received from the sale of agricultural surpluses. And in accordance with the direction of the Congress we are prepared to administer the Development Loan Fund credits in the same manner that the more than \$3 billion ICA credits are being serviced.

It has been my purpose to report briefly to your committee. There is much yet to be accomplished by the Export-Import Bank as our Government's foreign-lending institution. It is important for all concerned, here and abroad, and important that it be made clear that extension of credit is a business operation, based on good prospects for economic gain to the borrowers and to be repaid by the borrowers. To be sure, international finance can never be free from consideration of implications of foreign relations. But it should always be founded on the understanding by all that credit assists economically useful investment and that a credit transaction represents a judgment of mutual benefits to both the lender and the borrower.

It is on these basic conceptions of the bank's continued role in foreign policy that we respectfully request committee approval of S. 3149 to increase the lending power of the EXIMBANK by \$2 billion. It is in this spirit that the Board of Directors would continue to administer the authority given to it by Congress as a bipartisan, independent agency of the United States Government.

## Conditions in Trust Territory of Ruanda-Urundi

*Statement by Mason Sears  
U.S. Representative on the Trusteeship Council*<sup>1</sup>

The United States delegation wishes to congratulate the Belgian Government for what it is accomplishing for the people of Ruanda-Urundi. They are doing a splendid work, and I know that anybody who has ever been there will agree.

We also want Ambassador Dorsinville and his Visiting Mission to know that we think their report<sup>2</sup> on the Territory is excellent. It is a very penetrating document which should be widely studied.

As to conditions in the Territory, we believe that its economic, social, and educational affairs are being skillfully directed by the Belgian authorities.

The chief problem is lack of land. There is not enough land to support the people, and there are very few industries. To complicate matters, the present population of 4 million is increasing so rapidly that it may double itself in 30 years.

We hope that industrialization will be the ultimate answer and that it will absorb the energies of the people, but this will take time. Meanwhile, it is inevitable that the surplus population will continue to flow over into the adjoining territories of Uganda and the Belgian Congo, where there is more room and more opportunity for employment. There is nothing wrong with this. These people have got to eat somewhere. Neither will this emigration of people importantly affect the political development of the country.

In 1954 the Visiting Mission was afraid that political progress in the Territory was out of line

with progress in many other parts of Africa. They thought the future stability of the Territory would be better safeguarded if too big a gap between the political development of Ruanda-Urundi and other territories could be avoided.

Whether or not these fears were justified at the time, they do not apply today because in the last 3 years the Territory has undertaken very fundamental political progress. The principal achievement has been the setting up of election machinery so that the electoral college which elects the subchiefdom councils could be directly chosen under a system of universal male suffrage.

It is most encouraging that, when the elections for these colleges were held in 1956, as much as 75 percent of the eligible voters took part. It is interesting to note that in nominating the lists of electors a very large number of voters also voted for themselves. This shows a high degree of political interest by the voters and is an excellent sign for the future.

We are also glad that the governor of Ruanda-Urundi hopes the electoral college may be abolished in 1959 so that the subchiefdom councils may be directly elected by the people. When this happens, it is altogether likely that the Bahutu, who greatly outnumber the Batutsi in the electoral colleges, will exercise a major influence in the subchiefdom councils. Furthermore, the ratio between subchiefdom and full chiefdom councils is 15 to 1. This means that the Bahutu, which form the vast majority of the population, are on the verge of dramatically increasing their political power in relation to their traditional overlords, the Batutsi. By this one act of organizing direct elections for the electoral colleges, the administration has established the essential foundation for political democracy in Ruanda-Urundi.

Taking the picture as a whole, the United States delegation is not concerned with the fact that the various councils of the Territory are presently elected by indirect vote or that their opinions are mainly advisory. Direct election to all councils

<sup>1</sup> Made in the Trusteeship Council on Feb. 7 (U.S./U.N. press release 2869).

<sup>2</sup> U.N. doc. T/1346.

and full legislative responsibility will come in time. There is no doubt about that. The important fact is that the time-consuming process of establishing the voting lists and installing the election machinery is out of the way and that the people are training themselves in the use of the ballot.

From now on the extension of political responsibility based on the elective process can be organized without delay. In other words, the Administering Authority now has a high degree of flexibility in controlling the speed and direction of political progress. It could speed things up or slow them down according to its best judgment and the wishes of the people.

It is most important for the administration to have this kind of control in view of the possible effects upon the Territory of the political events which are almost certain to take place in Africa in the immediate period ahead. During this period a number of large and highly populated territories are expected to become self-governing, and the consequences will undoubtedly be felt far and wide. Last year it was independence for Ghana. Soon it will be independence for Nigeria, not to mention the prospects for self-government in three or four trust territories, and this is only part of the story. In fact, when history is written, it is likely to note that we are today in the middle of a concentrated era which marked the high point of African advance into self-government. Before we know it, only a diminishing minority of Africans will remain under non-African rule unless a new and subversive form of control begins to take its place. We trust that the new nations will remain alert to this danger. The early years of self-government are almost always very difficult. We hope, however, that these nations will be given a decent chance to build up their strength and protect their freedoms.

At all events Africa is on the move. And while certain areas may be unable to keep pace, the United States delegation respects the long experience of the Belgian administrators and is confident of their ability to move with changing times.

In conclusion, Mr. President, my delegation would like to thank the representative of Belgium and the Special Representative for the patience and courtesy which they have shown in replying to the questions submitted by the Council.

## U.S. Delegations to International Conferences

### U.N. Conference on the Law of the Sea

The Department of State announced on February 20 (press release 77) that President Eisenhower had on that day appointed Arthur H. Dean to be chairman of the U.S. delegation to the U.N. Conference on the Law of the Sea, which will be convened at Geneva, Switzerland, on February 24, 1958.

On February 22 (press release 76) the Department announced the names of other members of the U.S. delegation, as follows:

#### *U.S. Representative and Vice Chairman*

William Sanders, special assistant to the Under Secretary of State

#### *U.S. Representatives*

Oswald S. Colclough, vice admiral, USN (ret.), Department of the Navy

William C. Herrington, special assistant to the Under Secretary of State

Marjorie Whiteman, assistant legal adviser, Department of State

Arnie J. Suomela, Commissioner of Fish and Wildlife, Department of the Interior

Raymund T. Yingling, assistant legal adviser, Department of State

#### *Alternate Representative*

Nat B. King, counselor of Embassy for economic affairs, Baghdad, Iraq

#### *Senior Advisers*

Franklin C. Gowen, U.S. representative for international organizations, Geneva, Switzerland

Ross L. Leffler, Assistant Secretary of the Interior for Fish and Wildlife

David H. Popper, deputy U.S. representative for international organizations, Geneva, Switzerland

The foregoing group will be assisted by technical advisers from both government and industry.

The General Assembly of the United Nations in resolution 1105 (XI) of February 21, 1957, called for an international conference of plenipotentiaries to examine the law of the sea "taking account not only of the legal but also of the technical, biological, economic and political aspects of the problem. . . ."<sup>1</sup>

<sup>1</sup> For a U.S. statement made in Committee VI (Legal) on Dec. 14, 1956, during debate on the proposed conference on the law of the sea, together with text of the resolution adopted by the committee on Dec. 20, 1956, see *BULLETIN* of Jan. 14, 1957, p. 60.



The conference will consider the problems as they relate to the limits of the territorial sea, regime of the high seas, contiguous zones, international fisheries, the continental shelf, and free access to the sea of landlocked countries. The results of the deliberations may be embodied in "one or more international conventions" as envisaged by the General Assembly. The conference is expected to remain in session for about 9 weeks.

## Current U. N. Documents: A Selected Bibliography<sup>1</sup>

### Economic and Social Council

Commission on Human Rights. Yearbook on Human Rights. Report of the Committee. E/CN.4/756, December 27, 1957. 9 pp. mimeo.

### Trusteeship Council

United Nations Visiting Mission to Trust Territories in East Africa, 1957. Report on the Trust Territory of Somaliland Under Italian Administration. T/1344, December 4, 1957. 87 pp. mimeo.

United Nations Visiting Mission to Trust Territories in East Africa, 1957. Report on the Trust Territory of Tanganyika. T/1345, December 6, 1957. 217 pp. mimeo.

United Nations Visiting Mission to Trust Territories in East Africa, 1957. Report on Ruanda-Urundi. T/1346, December 6, 1957. 138 pp. mimeo.

## TREATY INFORMATION

## Current Actions

### MULTILATERAL

#### Sugar

Protocol amending the international sugar agreement (TIAS 3177), with annex. Done at London December 1, 1956. Entered into force January 1, 1957; for the United States September 25, 1957. TIAS 3937.  
*Ratification deposited:* France, December 31, 1957.

<sup>1</sup> Printed materials may be secured in the United States from the International Documents Service, Columbia University Press, 2960 Broadway, New York 27, N. Y. Other materials (mimeographed or processed documents) may be consulted at certain designated libraries in the United States.

## BILATERAL

### Poland

Agricultural commodities agreement under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (68 Stat. 454; 7 U.S.C. 1701-1709), and exchange of notes. Signed at Washington February 15, 1958. Entered into force February 15, 1958.

### United Kingdom

Agreement relating to the sale to the United Kingdom for sterling of fruit and fruit products. Effected by exchange of notes at London January 30 and February 3, 1958. Entered into force February 3, 1958.

## DEPARTMENT AND FOREIGN SERVICE

## ICA Information Activities Transfer to State Department

Press release 68 dated February 14

Effective February 19, 1958, the conduct of press and public information activities related to the program authorized by the Mutual Security Act of 1954, as amended, will be transferred to the Department of State and will be centered in its Bureau of Public Affairs.

This action, taken at the suggestion of the Director of the International Cooperation Administration several months ago, is designed further to synchronize activities of the Department of State and the International Cooperation Administration. Other actions have included the delegation to the Deputy Under Secretary for Economic Affairs, by the Secretary of State, of the function of coordinating the mutual security program.<sup>1</sup> They also include a similar delegation which invests in the same officer the responsibility for administering the Mutual Defense Assistance Control Act of 1951 (Battle Act).

These transfers are in accordance with the authority delegated to the Secretary of State by an Executive order of November 29, 1957, which gives the Secretary of State full freedom to redelegate or reorganize functions related to the mutual security program within the Department of State.<sup>2</sup>

<sup>1</sup> BULLETIN of Dec. 23, 1957, p. 990.

<sup>2</sup> *Ibid.*, p. 991.

## Confirmations

The Senate on February 17 confirmed Everett F. Drumright to be Ambassador to China and Walter K. Scott to be an Assistant Secretary of State.

The Senate on February 20 confirmed Howard P. Jones to be Ambassador to the Republic of Indonesia.

## Designations

Foy D. Kohler as Deputy Assistant Secretary for European Affairs, effective February 17.

## PUBLICATIONS

### Recent Releases

*For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. Address requests direct to the Superintendent of Documents, except in the case of free publications, which may be obtained from the Department of State.*

**Commercial Treaty Program of the United States.** Pub. 6565. Commercial Policy Series 163. 8 pp. 10¢.

A pamphlet containing important information about the purpose, nature, and scope of the commercial treaty program of the United States.

**The Sudan—Middle East Bridge to Africa.** Pub. 6572. Near and Middle Eastern Series 28. 20 pp. 20¢.

Another issue in the popular *Background* series, this pamphlet presents an evaluation of the significance of the Sudan in the world picture today.

**U.S. Participation in the UN—Report by the President to the Congress for the Year 1956.** Pub. 6577. International Organization and Conference Series III, 124. xiii, 325 pp. \$1 (paper).

A pamphlet containing a comprehensive survey of the U.S. Government's participation in the work of the United Nations and the specialized agencies.

**The State of the Union.** Pub. 6589. General Foreign Policy Series 121. 26 pp. Limited distribution.

The text of a message delivered by the President to the Congress on January 9, 1958.

**Letter to Nikolai Bulganin, Chairman of the Council of Ministers of the Union of Soviet Socialist Republics, from President Eisenhower.** Pub. 6592. General Foreign Policy Series 122. 19 pp. Limited distribution.

The text of a letter from President Eisenhower to Nikolai Bulganin released to the public on January 12, 1958.

**United States Educational Foundation in Belgium.** TIAS 3940. 10 pp. 10¢.

Agreement between the United States of America and Belgium and Luxembourg, amending agreement of October 8, 1948. Exchange of notes—Dated at Luxembourg March

18, 1949, and April 6, 1951, and at Brussels March 17 and 29, 1950. Entered into force with respect to Article 2 (A) March 29, 1950, and with respect to Article 5 April 6, 1951.

**Friendship, Commerce and Navigation.** TIAS 3942. 53 pp. 20¢.

Treaty, with protocol and exchange of notes, between the United States of America and the Netherlands—Signed at The Hague March 27, 1958. Entered into force December 5, 1957.

**North Pacific Fur Seals.** TIAS 3948. 59 pp. 20¢.

Interim convention between the United States of America, Canada, Japan, and the Union of Soviet Socialist Republics—Signed at Washington February 9, 1957. Entered into force October 14, 1957.

**United States of America Educational Commission in Brazil.** TIAS 3949. 10 pp. 10¢.

Agreement between the United States of America and Brazil. Exchange of notes—Signed at Rio de Janeiro November 5, 1957. Entered into force November 5, 1957.

**Air Force Mission.** TIAS 3951. 13 pp. 10¢.

Agreement between the United States of America and El Salvador—Signed at San Salvador November 21, 1957. Entered into force November 21, 1957.

**Mutual Defense Assistance—Disposition of Equipment and Materials.** TIAS 3952. 6 pp. 5¢.

Agreement between the United States of America and Iran. Exchange of notes—Dated at Tehran July 12 and October 31, 1957. Entered into force October 31, 1957.

**Guaranty of Private Investments.** TIAS 3953. 8 pp. 10¢.

Agreement between the United States of America and Cuba. Exchange of notes—Signed at Habana February 4, 1957. Entered into force November 29, 1957.

**Certificates of Airworthiness for Imported Aircraft.** TIAS 3954. 8 pp. 10¢.

Agreement between the United States of America and Belgium, replacing arrangement of October 22, 1932. Exchange of notes—Signed at Brussels July 19 and December 3, 1957. Entered into force December 3, 1957.

**Army Mission to Liberia.** TIAS 3955. 2 pp. 5¢.

Agreement between the United States of America and Liberia, extending agreement of January 11, 1951. Exchange of notes—Signed at Washington November 18 and December 2, 1957. Entered into force December 2, 1957; operative retroactively January 11, 1957.

**United States Commission for Cultural Exchange With Iran.** TIAS 3956. 6 pp. 5¢.

Agreement between the United States of America and Iran, amending agreement of September 1, 1949. Exchange of notes—Signed at Tehran November 25, 1957. Entered into force November 25, 1957.

**United States Educational Foundation in China.** TIAS 3957. 13 pp. 10¢.

Agreement between the United States of America and China, amending agreement of November 10, 1947. Exchange of notes—Signed at Taipei November 30, 1957. Entered into force November 30, 1957.

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Releases may be obtained from the News Division, Department of State, Washington 25, D.C.

Press release issued prior to February 17 which appears in this issue of the BULLETIN is No. 68 of February 14.

| No. | Date | Subject  |
|-----|------|--|
| 71  | 2/17 | Extension of good offices to France and Tunisia.                                       |
| 72  | 2/17 | Mrs. Downey and Mrs. Redmond call on Assistant Secretary Robertson.                    |
| 73  | 2/18 | Merrill: Public Relations Society of America.  |
| †74 | 2/19 | John Davis Lodge: American Bar Association.  |
| 75  | 2/19 | Mr. Murphy to represent U.S. in exercising good offices.                               |
| 76  | 2/22 | Delegation to U.N. Conference on Law of Sea (rewrite).                                 |
| 77  | 2/20 | Dean appointed chairman of U.S. delegation to U.N. Conference on Law of Sea (rewrite). |
| 78  | 2/21 | Jandrey: Chicago Council on Foreign Relations.   |
| 79  | 2/21 | Annuity paid to Government of Panama.  |
| †80 | 2/22 | Program for visit of President-elect of Guatemala (rewrite).                           |

†Held for a later issue of the BULLETIN.

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